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BUSINESS WEEK



FEB 23 1937



Richard Holt From Globe

IN THE AIR — Agreed on the need for more money, more research, more development of aids to flying, the industry and government prepare a broad program to bring greater safety to aviation.

McGRAW-HILL





TO HER

Steel IS ONLY A NAME FOR METAL

... she doesn't even give it a thought—yet everything she does—everything she eats—and wears—and uses, depends in some way on steel—much of it alloy steel—much of it produced in Republic mills. She has a stainless steel sink—stainless steel utensils and tableware. Her stove, refrigerator, washing machine, vacuum sweeper, telephone, radio—all employ steel. The motor car in which her children ride to school couldn't have been built ten years ago, because many of the new alloys that make it so much lighter, stronger,

faster, better, were not produced a decade ago.

Steel holds a place of tremendous importance in the lives of all of us. Republic has been a leader in the development of the newer, better alloy steels—and is today, their largest producer.

Steel today is much more than a name for metal. It is the key to better products and greater profits. Republic representatives know steel—and what can be done with it. They are well qualified to discuss it with you in the light of your particular production, sales, and merchandising problems.

REPUBLIC STEEL CORPORATION

REPUBLIC BUILDING, CLEVELAND, OHIO • DISTRICT SALES OFFICES IN ALL PRINCIPAL CITIES

Republic is the world's largest producer of alloy steels and one of the three largest manufacturers of iron and steel products in this country. Republic and its subsidiaries own 40 plants in 27 different cities—and iron and coal properties in 6 states.

When writing Republic Steel Corporation for further information, please address Department BW



BUSINESS W
one of the
most to
in the
Editorial and
York, N. Y.
Chairman: G.
R. Putnam
\$1.00 per sec
\$1.50 per sec
per page
at the post
March 3, 1937
by McGraw-Hill

New Business

Until its pages were officially opened to advertising this week, most advertising men had never heard of the monthly magazine with the biggest circulation in America—over eight million. Hence space salesmen's biggest job is to tell advertisers what *Simplicity Fashion Forecast* magazine is. Started a good many years ago to push pattern sales for the Simplicity Pattern Co., which now sell over half the total world production, the *Forecast* now also boasts DuBarry and Pictorial Review styles. The magazine is now distributed (under separate imprint) through all stores handling these patterns and the Woolworth, Kresge, Murphy, and Kress chains. A year ago, experimental 5/8-in. ads were sold in the Kresge edition. Results were encouraging, and now *Forecast* ventures into the national advertising field as a full-fledged medium.

ONE more sign that 1937 is going to be a big year for showmanship: The 100 booths arranged at Chicago for first national exhibition by Radio Parts Manufacturers have been snapped up, although the show is set for next June.

LAST spring, Arturo Toscanini, music's most famed maestro, said a final farewell to America. Now he's coming back, thanks to the efforts of RCA's President David Sarnoff and his collaborators, critic Samuel Chotzinoff and the transoceanic telephone. Reason: to broadcast for NBC a non-commercial series of symphonic concerts with the National Broadcasting Company Symphony Orchestra.

MERCURY-DISCHARGE lighting, now being used on stretches of highways throughout the country, also is taking well in England. More than 300 mi. of road in and around London will be lighted this way, says *Electrical World*. So will another 200 mi. in other parts of the British Isles.

PITTSBURGH's big downtown department store, Joseph Horne Co., which took the rap for about \$1,500,000 flood damage in 1936, was all set this time, even if the flood did decide to go 'way from the door. Spectators who were around the neighborhood when the 1937 water came up the street saw what

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How many miles do you take out of your Tire Package?



• The value of any package of merchandise cannot be determined except through use. Tires, too, are packages—packages of mileage.

The cost of your tire package can never be determined until the mileage of that tire is run. The initial price is unimportant. To determine cost you must divide price by mileage.

It costs more to build a General Truck Tire because of the way it is built. Thousands of truck operators know it costs less to use Generals because of the way they perform.

General Truck Tires have always been built stronger—to do their work better and deliver greater mileage.

Your General Tire dealer offers you the benefit of his factory-training and practical truck tire knowledge. He may be able to reduce your tire costs materially.

THE GENERAL TIRE & RUBBER CO. • Akron, O.
In Canada—The General Tire and Rubber Company of Canada, Limited, Toronto, Ontario

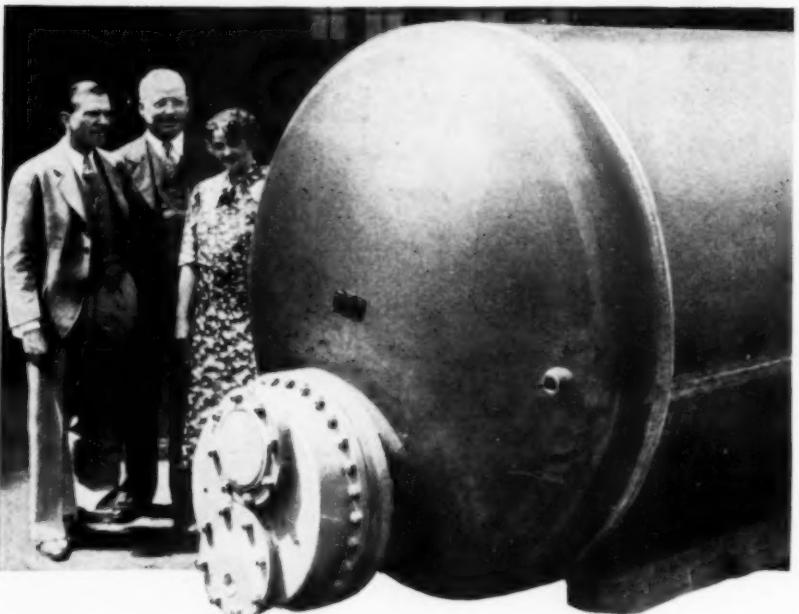
STRONGER—All plies are full plies anchored at the bead—no floating "breaker strips"—every inch and every ounce is there for just one purpose—to produce more miles and a lower cost for you.

COOLER—They flex uniformly without that heat-producing "hinging action" of ordinary breaker-strip tires. Heat kills the life of cords and cuts down the miles in a tire. Generals are cool—that's why they run more miles at a lower cost for you.

"COMPACT RUBBER" TREADS—All tires stretch due to fatigue in the fabric, but Generals, having no idle, half-way plies, stretch least of all. The tread is kept compact and compressed against the road—that's why it produces more miles and reduces your cost.

GENERAL TRUCK TIRES

This 72" x 192" Whitlock EVERDUR Type K storage heater was made by The Whitlock Coil Pipe Co., Hartford, Conn., for the Davis Laundry & Cleaning Co., Cleveland, Ohio. It is the second EVERDUR heater to be installed by this laundry.



Their business depends on clean hot water!

Laundry industry's problem solved by heaters of non-rust EVERDUR METAL

The laundry industry is but one field where storage heaters of non-rust EVERDUR Metal have become widely accepted. Demand for them is found wherever clear, rust-free hot water and expense-free service are sought. Hospitals, textile mills, hotels, clubs, schools, government buildings... the evidence is overwhelming that this metal has proved itself the answer to the problem of heater corrosion.

EVERDUR, The American Brass Company's rugged copper-silicon alloy, possesses remarkable corrosion resistance; yet it has the strength and weld-

ability of steel. The unusual adaptability and reasonable cost of Everdur Metal have made it the logical selection for countless uses. Our Technical Department is at your service. 2788

A few other popular uses for EVERDUR Metal

- ... non-rust tanks in domestic water-heaters.
- ... rust-proof nuts, bolts, screws, etc.
- ... pipe for conveying corrosive solutions.
- ... electrical conduit.
- ... air conditioning equipment.
- ... screens, gates, etc., in sewage treatment plants.

EVERDUR METAL—"Everdur" is a trademark of The American Brass Company, registered in the United States Patent Office.



Everdur Metal

THE AMERICAN BRASS COMPANY, General Offices: Waterbury, Connecticut
Offices and Agencies in Principal Cities • In Canada: Anaconda American Brass Ltd., New Toronto, Ontario

happened: Aluminum bulkheads were pushed up behind the glass in 16 big windows and bolted tight; others clamped shut behind the doors. In an hour and 40 minutes, the store was watertight 12 ft. above the street.

SOME people come into a store, look closely at the line of whatever they're interested in, ask for literature and model number, and leave to seek a discount someplace else. One department store man is getting even, according to *Radio Retailing*—when the identification is asked for he gives only part of the model number. It may not stop them, but it discourages them and at least saves his time.

If you've got a nice new 15 1/2-mi. water pipe, like that just built by the Los Angeles Bureau of Water Works & Supply, you have to go on inspection trips inside it, now and then. The one in Los Angeles is a yard in diameter, and an electric car could carry inspectors (small ones) along through the pipe—but the manhole openings are 11x18 in. elliptical affairs, and the little car would have to go in and out through these holes. Solution was, reports Howard Wait for the bureau, to make the car in three removable pieces. Battery box and chassis, one unit; left-hand wheels another; right-hand wheels the third.

ROME, with its famed hills, is having difficulty introducing double-deck buses. Italians are afraid a loaded upper-deck will make the bus top-heavy and likely to capsize on some of the sharp grades in city streets. To overcome this prejudice, Roman officials have decreed that upper-deck fares will be 10% cheaper than those for the lower deck.

PALESTINE, incidentally, has become a market for modern double-decked buses. Tel Aviv, booming commercial capital of the new Zionist state, has just placed an order for its first double-decker. If popular, it will be repeated in an effort to relieve traffic congestion.

EVERYONE who has been in Chicago knows Michigan Blvd., and everyone knows about the bridge bottleneck for traffic at the river. Part of the pressure has been taken off by other bridges but the big culmination is the next bridge—the one which will be thrown across the Chicago River at its mouth. Long viaduct approaches will connect with the lakefront boulevard system, connecting north and south side parks. The \$11,500,000 link is expected to pay for itself many times over in improved and expanded business and pleasure areas. The new Chicago Park District has consolidated former conflicting authorities into one supervisory plan, and work on the project is being pushed.

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Washington Bulletin

WASHINGTON (Business Week Bureau)—Coal operators and the United Mine Workers will pull up to April 1 without agreement. Men will continue working, probably in response to a plea by President Roosevelt, on condition that new rates when finally negotiated will be retroactive. This is informed opinion in Washington, which now regards a coal strike, out of which John Lewis would have very little to gain, as averted by his drive to organize steel. As between the operators' proposal for an increase from a 7- to an 8-hour day and Lewis' demand for a 6-hour day, and a \$1,200 minimum annual wage, a compromise will probably be reached on a wage increase.

C.I.O. Aims at Big Steel

Lewis will pick U.S. Steel next. This prediction in Washington's politico-labor circles is based on two ideas: (1) Lewis got his foot into the motor industry by tackling its biggest unit. (2) In the steel industry the more skilful negotiators are among the independents; Big Steel is an easier mark than such companies as Republic, Bethlehem, and National.

Court Compromise Indicated

Washington now figures that Roosevelt will be forced to compromise on Supreme Court enlargement proposal. Defection of so many important Southern senators, such as George, Glass, Byrd, and Bailey, on the one hand, and of such liberals as Wheeler, Frazier, and Norris on the other, presents a picture to the country of independent thinkers bolting all along the front with only hide-bound party men supporting the President.

House Won't Play Ball

House decision to wait until the Senate acts is a big surprise to New Dealers, who had counted on an overwhelming vote in lower body to start the ball rolling and put prestige behind the President's recommendation. It is usually easier for the President to control the House than the Senate, but this time House members were anxious to dodge a vote as long as possible. Apparently they reason that in early stages a vote either way spells political trouble; it either alienates staunch Roosevelt partisans or conservative friends of the court in their home districts. Loss of either whole group would defeat nearly half of the sitting House members in the primary or election next year, and indications are multiplying that both groups are strong.

UNCLE SAM: LANDLORD

An attempt by Home Owners Loan Corp. to conceal its critical condition is torn aside by revelation that the number of foreclosure actions by July 1 will reach 160,000, or one in six on which the corporation has made loans. A write-off of hundreds of millions, staggering as the cost may be, becomes a distinct possibility as pressure mounts in Congress to compel more and more leniency, and cold analysis indicates that recovery of its investment will be gobbled up in the process by administrative expenses—now \$30,000,000 a year and going up.

What Will the Voters Do?

Worried House members and Senators cannot decide what their constituents may do, simply on the word from highly vocal group leaders. Not even a coal mine district congressman can be sure his voters would favor him for supporting the President on the court issue just because John L. Lewis is for it. Representatives of farm districts are by no means sure that farmers will vote next year as national Grange leaders now indicate. Fight in Senate will be delayed by a half dozen substitute proposals.

Eleven Old Men?

Most talked-of compromise would add two instead of six justices to Supreme Court. On its face this solution would make it possible to overcome conservative majority now controlling the court in five-to-four decisions, but it would not permit of a reversal in cases where the vote against the government was six-to-three. Hence it's a question whether it could be construed as "victory" for the President.

Wheeler Amendment Under Fire

Senator Wheeler's idea of a constitutional amendment to give a succeeding Congress authority to override Supreme Court "vetoes" will be

highly appealing to some of a liberal-radical opinion, but will be less acceptable than Roosevelt's proposals to conservatives. Its discussion will take time, and the President's followers will oppose it for the same reason that they oppose any constitutional amendment: it would take too long to get through, and would be endangered too much by "minority" opposition.

More Independence?

Best judgment is that it will be pretty nearly impossible to save Roosevelt's face completely. It even seems possible that many senators and House members may now become actual legislators instead of just rubber stamps. This development may even bring about more careful consideration, wholly on its merits, of legislation affecting business.

Bills on Deck

Wintry debate over the Supreme Court issue has drawn attention from the budding leaves of the Congressional legislative calendar. Little business other than routine appropriation bills occupies the floor, but committees are busy. While the court bill is deliberately held back, others that soon will reach the floor in either house include:

Neutrality, on which a Senate fight is imminent;

Guffey bill for tax-enforced minimum and maximum coal prices just reported by the House Ways & Means Committee;

Food & drug, favorably reported from the Senate Commerce Committee this week;

Extension of the Reciprocal Tariff act, now on the House calendar.

—And in the Hole

Rep. Patman's new bills to prohibit manufacturers from retailing in competition with their own customers and to ban reciprocity sales made their bow this week, with a promise of fireworks but considerably less certainty of action this session. Senator Wagner's public housing bill will get off to a lame start and there will be a long squabble before tax, government reorganization, farm tenancy, and crop insurance bills really get going on their return trip to the White House.

This is only the beginning. With NIRA and AAA replacements waiting upon the outcome of the court battle, which in turn may provoke a scrap on what to put into a constitutional amendment, there's a long, long trail ahead.

Need Bigger Housing Grants

Senator Wagner's new housing bill satisfies nobody. The opposition of



Concealed Radiation for Convection Heating

If you contemplate building or modernizing you will want this book about concealed Webster System Radiation. It shows "out-of-the-way" concealed radiators to modernize interiors, harmonize with decorative schemes and increase available floor space. It tells how Webster System Radiation provides balanced heating service, eliminates "cold corner" rooms. Read about this feature of Webster Systems of Steam Heating. This fully illustrated book is yours for the asking. No obligation, naturally.

If you are interested in heating new buildings, or in improved heating service and lower heating cost in your present building, address WARREN WEBSTER & CO., Camden, N. J. Pioneers of the Vacuum System of Steam Heating Branches in 60 principal U. S. Cities—Estab. 1889

the left-wing public-housers who passionately believe that the federal government should foot the whole cost can be discounted. But as an incentive to cities upon whose initiative the bill relies, a 35% subsidy falls flat. Even on a 45% basis, the Public Works Administration has trouble in substantiating its claim of "low cost" accommodation, without figuring in maintenance and operation.

Stymied

A fight for increasing the housing subsidy may succeed, but the Wagner bill's purpose is frustrated at the outset by the conspicuous lack of enthusiasm among prime movers, coupled with the active aversion of private home builders. Meanwhile no effective expression of national housing policy can be expected from the Administration's central housing committee, hopelessly deadlocked by internal jealousies.

Permanent Farm Prosperity

Secretary Wallace's ever-normal granary plan will go to Congress piece-meal. The nub of the proposal is application of even-increasing pressure for lower production as surpluses build up: first, loans on stored crops; then increased soil conservation benefits; finally, if necessary, "positive control in emergencies." In its initial stages the plan will meet little opposition. For the first time in history all farm organizations are in accord. With that in mind it would be a rash congressman who would object to the march of farm prosperity. There's plenty of time for head-scratching on legal questions, while farmers build up drought-depleted stocks to normal proportions. Meanwhile, the constitutional hurdle may be lowered.

Sharecroppers a Labor Class

Opposition to the recommendations of Roosevelt's Committee on Farm Tenancy springs from an effort to align this class with labor rather than agriculture—a move which the Southern Tenant Farmers' Union seeks to expedite by its demand that administration of the law be vested in the Labor Department and that the protection of the Social Security Act and the Wagner Labor Relations Act be extended to agricultural labor. The union sees domination disguised as "guidance" in the provision that tenants and sharecroppers who are set up on their own land would not be permitted to pay out in less than twenty years.

Protest Hot Oil Lid

Extension of the Connally hot oil act will pass the Senate but may run into real trouble in the House as in-

dependents claim that the ban on interstate shipments of oil produced in excess of state quotas plays into the hands of major companies. Already hemmed in by the interstate compact which operates basically on the Bureau of Mines' monthly estimates of probable demand, the dependents assert that both their sources of supply and their markets are being sopped up.

Twice a Week to Europe

To fly transatlantic mail eight months starting Nov. 1, the Post Office asked for \$1,208,640. The House Committee pared it to \$750,000, contending this initial period would be experimental, that a two-round-trip-per-week schedule was too ambitious. If the contractor tries to perform the two-trip schedule he will either have to cut out some trips or operate at a loss for the period. There is a possibility that the department will ask for a deficiency appropriation, if performance by Pan American, the only serious contender for the contract, justifies the schedule.

Restrict Jap Imports

The Murchison committee returned to the United States this week with a two-year agreement between Japanese and American textile industries which limits imports of cotton piece goods to 25,000,000 yards in 1937-38. Japanese imports had threatened to reach a half billion yards this year, despite tariff. The agreement is the first of its kind, and will be followed by others in cotton manufactures.

Retorts Curt and Courteous

Texas seems determined to nullify objectives of the President's Supreme Court attack. First, both branches of the Lone Star legislature adopt resolutions by big majorities urging their senators and representatives to oppose enlarging the High Bench. Then they dash cold water on the reform drive by ratifying the child labor amendment—after having rejected it four times in the past—just as Roosevelt cites the fate of this amendment as proof that a strong minority can block any change in the Constitution looking towards greater economic liberalism. With Texas' action, eight more states can make the child labor amendment effective.

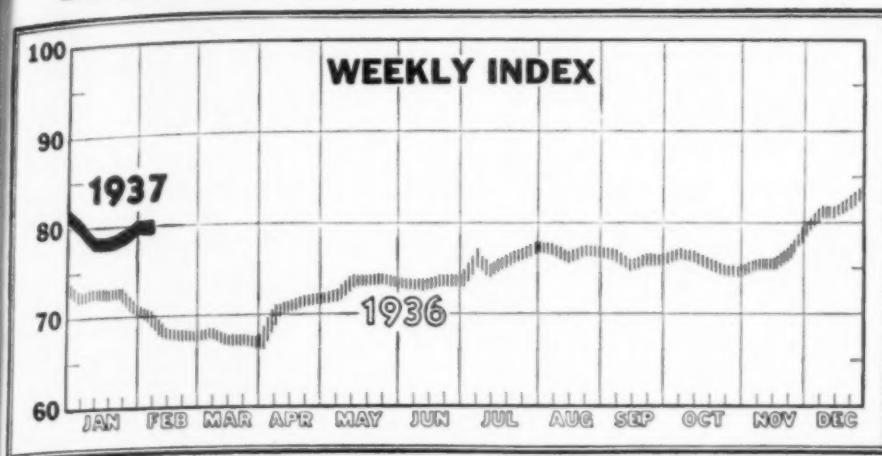
"Go West" Still Sound

President Roosevelt has started the covered wagons rolling west again. States which were alarmed by reports from Washington last summer that their citizenry would have to move out bag and baggage now are informed that they can support twice or three times their present population by planned development.

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BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	80.2
Preceding Week	80.4
Month Ago	78.9
Year Ago	68.7
Average 1932-36	62.5

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
★Steel Ingot Operation (% of capacity).....	81.6	80.6	80.6	51.7	37.1
★Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)...	\$10,007	\$8,856	\$8,205	\$7,883	\$5,170
Engineering Construction Awards (Engineering News-Record, daily average)...	\$8,512	\$5,502	\$7,324	\$9,612	\$4,140
★Bituminous Coal (daily average, 1,000 tons).....	*1,606	1,419	1,737	1,683	1,314
★Electric Power (million kw.-hr.).....	2,200	2,201	2,264	1,950	1,685

TRADE

Total Carloadings (daily average, 1,000 cars).....	113	110	116	104	95
★Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	71	70	72	59	59
★Check Payments (outside N. Y. City, millions).....	\$3,998	†\$4,753	\$4,581	\$3,139	\$2,906
★Money in Circulation (Wednesday series, millions).....	\$6,360	\$6,348	\$6,371	\$5,763	\$5,522

PRICES (Average for the week)

Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.44	\$1.36	\$1.40	\$1.07	\$7.78
Cotton (middling, New York, lb.).....	13.09¢	†13.18¢	13.04¢	11.66¢	9.95¢
Iron and Steel (Steel, composite, ton).....	\$36.67	\$36.64	\$36.55	\$33.45	\$30.89
Copper (electrolytic, Connecticut Valley basis, lb.).....	13.333¢	13.000¢	12.958¢	9.250¢	7.480¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	206.5	†205.9	208.9	171.1	129.2

FINANCE

Bond Yields (Standard Statistics, average 45 bonds).....	4.21%	4.20%	4.14%	4.25%	5.26%
Interest Rates—Call Loans, Renewal, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	.75%	1.25%
Interest Rates—Prime Commercial Paper, N. Y. City (4-6 months).....	.75%	.75%	.75%	.75%	1.63%
Business Failures (Dun and Bradstreet, number).....	172	184	186	194	403

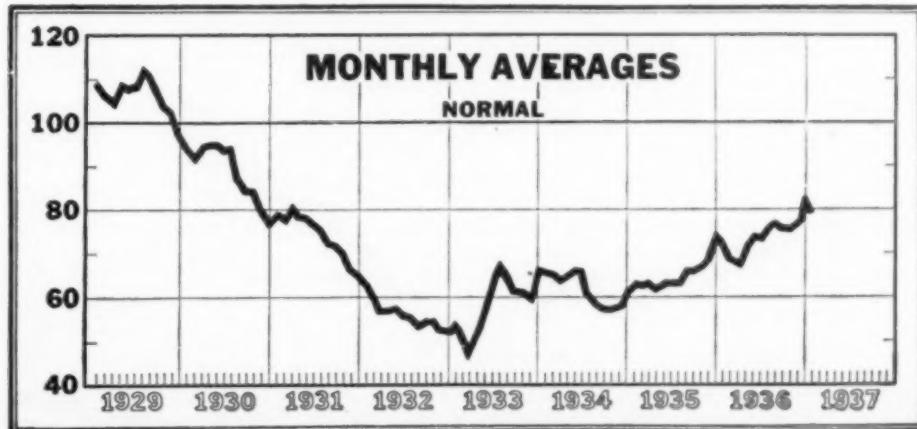
BANKING (Millions of dollars)

Total Federal Reserve Credit Outstanding (Wednesday series).....	2,477	2,463	2,476	2,508	2,294
Excess Reserves, all member banks (Wednesday series).....	2,180	2,150	2,103	3,007	1,322
Total Loans and Investments, reporting member banks.....	22,555	22,579	22,797	21,082	19,416
Commercial Loans, reporting member banks.....	4,588	4,552	4,659	3,720	—
Security Loans, reporting member banks.....	3,227	3,238	3,228	3,137	3,951
U. S. Gov't. and Gov't. Guaranteed Obligations Held, reporting member banks.....	10,337	10,363	10,515	9,914	—
Other Securities Held, reporting member banks.....	3,254	3,275	3,243	3,173	—

*Factor in *Business Week* Index. *Preliminary. †Revised. †New Series, Excluding Real Estate Loans. §Not Available.

These monthly averages are merely simple averages of each month's weekly figures of *Business Week's* index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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**FOR THOSE WHO LIKE
THEIR STORY IN A NUTSHELL**



The fact that Protectoid does not shrink or stretch offers *new possibilities in successful packaging* to anyone with goods to sell. It means that the efficacy of any package can be markedly increased by the sales values of transparency and visibility—without danger of wrinkles, cracks, or rips! Protectoid puts an end to unsightly packages. It will enable your product to present the same fresh appearance in the hands of the customer as on your own production line.

Protectoid is available as thin as 88 hundred thousandths of an inch (.00088")—or as thick as you want it. If you state your needs or your interests we will be better able to answer your inquiry. We will gladly send an experienced man to help you with any packaging problems. Or we will send you a booklet giving the facts on Protectoid. Address Celluloid Corporation, 10 E. 40th Street, New York City. Established 1872. Sole Producers of Celluloid, Lumarith and Protectoid (Trademarks Reg. U. S. Pat. Off.)

★ It does not dry out with age. ★ It does not discolor or wrinkle. ★ It is not affected by humidity or temperature changes. ★ It is water-proof, grease-proof, germ-proof. ★ It cements easily and firmly (actually a weld). ★ It has a perfect surface for multi-color printing.

★ IF YOU ARE WORKING ON
A TRANSPARENT PACKAGE . . .

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The Business Outlook

IF IT weren't for the threatened labor difficulties in bituminous coal, steel, and possibly textiles, business could view the next few months' prospects with considerable complacency. The worst of the flood destruction has passed and reconstruction promises to swell the usual volume of buying; the maritime and General Motors strikes have been settled; a renewed wave of wage increases assures the retail trade of better buying; earnings returns for 1936 are gratifying; railroads are stepping up buying programs at a fast clip; orders for steel for export are being taken in most instances at premium prices, so great is the pressure from domestic sources; prices of finished goods are being marked up in closer conformity with rises which have taken place in raw materials; production in motor, glass, tires, steel, machine tool, and apparel trades is being expanded. An early Easter (Mar. 28) is pushing retailers to prepare for the best spring trade since 1930.

Other Industries Watch Lewis

Though Lewis failed to achieve the last letter of his demands in the General Motors strike, the fact that he got his foot in the door of one of the major "untouchable" industries, plus the granting of a \$25,000,000 wage increase, gives him something to conjure with. Moreover, he and his Committee for Industrial Organization claim credit for the 12% rise in wages granted this week in the men's clothing industry, which adds some \$30,000,000 to that industry's payroll. Other mass production industries heretofore free of outside unions are well aware of his added strength. The motor industry feels safe for the balance of the 1937 model season, but the same cannot be said of steel.

A Rash of Raises

Besides General Motors' wage increase, and that in the men's clothing industry, the recent rash of wage boosts includes a \$13,000,000 rise by Chrysler, a \$2,000,000 one by Packard, a \$2,000,000 increase by Murray Corp., and an unknown amount by Briggs Manufacturing, both of whom are body builders for Ford and Chrysler; an increase by tire makers such as Firestone, Goodyear, Goodrich, and General Tire estimated to add \$3,000,000 to Akron payrolls; and a \$200,000 increase at the Lynn, Mass., plant of the General Electric Co. Textile unions are preparing to ask for a 10% wage increase, having studiously examined the Federal Trade Commission's records of investment returns in the industry, which show that substantial improvement has been made.

COPPER BOOM

There is misgiving in some quarters about this week's rise in copper to 14c a lb. London speculators took the lead in boosting prices, and domestic interests reluctantly followed suit to keep the flow of exports down. Superficially, the January statistical picture lent support to the rise too, but on page 61 Business Week uncovers the limitations and pitfalls of the statistics which are used to justify the present boom in copper.

Machine Tool Prosperity

January machine tool business was the third best month on record, and at 200.3% of the 1926 shipments is well above that of the 110.8% of a year ago. No doubt the rise in wages, the pressure of security taxes, the need for more economical production are creating the present boom in machine tool orders. About 22% of the January business came from foreign sources.

Deny Lumber Famine

Lumber production has lagged markedly behind incoming orders in recent weeks, but the Survey Committee on Lumber Consumption deplores the rumor of any "lumber famine" as a basis for boosting prices, because both stocks and productive capacity are sufficiently large to take care of any increased demand arising from home building, flood rehabilitation, railroad buying, furniture, and other wood consuming outlets. Local shortages resulting from the maritime strike will be eliminated as shipments are resumed.

Railroads Buy Much Steel

Iron Age reports that railroads are now using more steel than they have since 1930. Freight cars ordered last month topped every January on rec-

ord, except in 1916. This year's purchases might easily reach 80,000 against the 64,643 of 1936, which itself was the best year since 1929. In addition, some 600 locomotives and more than 500 passenger cars may be ordered. Rebuilding engines, and replacement of arch bar trucks with cast steel, promise another juicy slice of business for railroad equipment makers. The American Association of Railroads has forbidden the use of arch bar trucks in interchange on carriers' lines beyond Jan. 1, 1938. The Pennsylvania Railroad alone plans to replace arch bar trucks on 185,000 cars this year.

Big Textile Movements

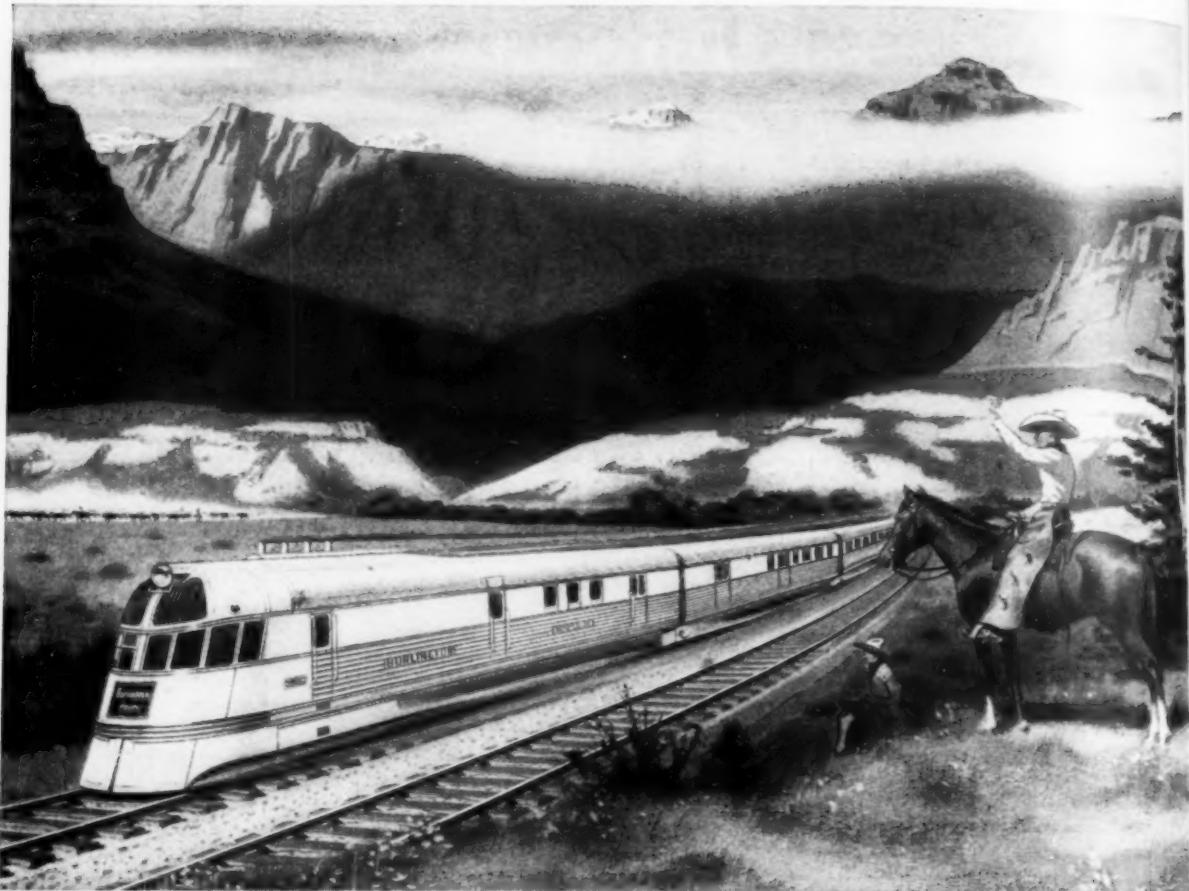
Cotton mills absorbed a record January volume of cotton last month, making the sixth consecutive month that more than 600,000 bales have rolled into manufacturing plants to cover the heavy backlog of business on order. Rayon deliveries, too, were maintained at a high level last month, and stocks of yarn have shrunk to a mere 0.1 month supply. Rayon staple fiber is destined for new heights this year, competing directly with both wool and cotton fabrics in clothing. Silk consumption, too, has been expanding moderately since last July under the pressure of higher prices and improved demand from hosiery mills. Hosiery prices are now due for an increase, mills taking orders for near term months only.

Volume of Retail Sales

Rural and variety store sales dropped by more than the usual amount between December and January, but maintained a fair margin over last year despite the setback. Department stores, on the other hand, showed only a normal shrinkage from the December heights, and held 11% higher than last year. The Chicago area, which includes Michigan, topped all sections of the country with a 20% gain over last year despite the motor strike. The Atlanta district came next with a 16% gain.

Boost Shoe Prices

Goaded by higher prices for leather and other supplies, and by new tax burdens imposed by the Social Security Act, three large shoe manufacturers have announced price increases ranging from 2½¢ to 25¢ a pair. A general strike on Feb. 23 for a 15% wage increase was threatened by the United Shoe and Leather Workers' Union, recently affiliated with the Lewis forces. Production last month is estimated to have topped that of a year ago, and with an early Easter ahead, the first quarter prospects are likely to better those of last year, if strikes do not upset the schedule.



Famous Modern Trains

The Pioneer Zephyr: Burlington Route

WIND OF THE WEST

HISTORY will record that the first practical demonstration of true modernization in railroad travel began with the now famous non-stop run of the Pioneer Zephyr (Western Wind) from Denver to Chicago. In May, 1934, this first of a long line of Budd-built stainless-steel trains made the run of over 1000 miles at an average speed of 78 miles an hour, carrying 85 passengers at a total fuel cost of \$14.88.

This demonstration, though scientifically complete, did not at first make a very deep impression on railroad men. While they thoroughly appreciated the accomplishment, it was hard for them to believe that this light-weight speed marvel could stand up in the regular bruising service of railroad operation.

What many failed to realize was that the trend toward light-weight construction had been started sometime before, and thoroughly proved in the automotive field. New, lighter and stronger alloys were now being made available. The old principle of massiveness-for-strength was on its way out. The new principle of light weight for greater strength and speed with safety could no longer be denied.

The important fact about the Pioneer Zephyr is that it did not end as an experiment. It continued to stand up in the toughest kind of service. It did a full-sized job, day after day, month in and month out. And now, with its service stretching into years, it is as serviceable as ever—a practical and popular train of untarnishable beauty.

The Pioneer Zephyr has been followed by larger and more elaborate Budd-built trains. These trains link scores of cities. They are constantly filled with delighted passengers. They provide modern comfort and modern speed with thorough safety. And in more than two million miles of profitable operation they have piled evidence on evidence that Budd light-weight construction of stainless steel is sound in principle and enduring in service.

Originator of all-steel bodies for automobiles, now used almost universally, the Edw. G. Budd Manufacturing Company has pioneered modern methods in the design and fabrication of steel products.

EDW. G. BUDD MANUFACTURING COMPANY

PHILADELPHIA AND DETROIT

BUDD METHODS SAFELY ELIMINATE DEAD-WEIGHT

BUSINESS WEEK

FEBRUARY 20, 1937

Business Stocks Up—Prudently

Survey by *Business Week* shows that purchases are ample but not excessive. Leading corporations' inventories are 4% below those of '29.

BUSINESS in the United States is going on as usual during altercations with labor and with the Administration. That simple fact, rich with implications, became statistically clear this week when *Business Week* completed a nation-wide survey of the inventory position of leading American corporations.

The information, culled from confidential replies to a questionnaire or from published annual reports, was of two kinds: facts and opinion; and therefore revealed not only what business executives are doing, but also—and more important—what they are thinking. Four broad conclusions were justified:

1. Industry is getting set for continued improvement by laying in stocks of raw materials and finished products.

2. Price advances, the standard equipment of every business upswing in the United States, are accelerating the impulse to build up inventories.

3. Stocks on hand are far from being excessive, although company managements have the courage of their buying convictions—in other words, they feel satisfied that the price level is relatively stable.

4. In 16 broad industrial classifications (see tabulation, page 14), year-end inventories were only 4% less than in 1929, and were well in excess of both 1934 and 1935.

How It Works

Inventory expansion in this country follows a traditional pattern. As soon as prices begin to harden, industry makes tentative nibbles at raw material and semi-finished stocks. Then, as the price level becomes more resistant to selling offers, the purchasing urge becomes more insistent. Manufacturers and retailers decide it is time to stock up; to abandon hand-to-mouth operations and take a chance—go out on a limb, so to speak. And then, just to complete the cycle, prices advance further and the business man becomes convinced that his courageous foresight was justified and buys more.

So far, however, the excitation of inventory profits has not generated a wave of speculative buying. At least, that in no way is indicated by the statistics at hand, nor the statements made by

company officials. The primary reasons for expanding inventories were these:

1. Rising sales volume, requiring an increased quantity and increased dollar volume of goods on hand awaiting the productive process.

2. Higher prices, which automatically boost the dollar volume of inventories.

3. New lines.

4. Increased labor costs, which enter the price of materials purchased and become an integral component of the cost of finished goods in stock awaiting sale. (As one manufacturer put it, "Our real raw material is labor.")

5. Addition of retail stores by some chains, which has naturally boosted quantity of goods on hand and the number of dollars which went into inventories.

6. Delayed deliveries, because of choked plant capacity in some lines, such as textiles, machine tools and special divisions of the steel industry; labor disturbances are a collateral factor.

Significant Change

Although prices have been moving

up fairly steadily since early 1933, and general business and trade activity has been tagging right along, not until the last six months or so has production of raw materials and manufactured goods exceeded consumption (see chart, page 15). Supplies on hand with producers and at primary points of concentration were being absorbed by the constantly higher level of consumer buying power. Business was not getting ahead of itself.

Then, in the fall of 1936, after 22 months of steadily improving industrial activity (interrupted only by the flood recession of the early months of last year) and after three years of virtually uninterrupted price rises, producers of raw materials and manufactured goods decided it was high time to replenish stocks. Shelves had become too bare for comfort.

Effect on Prices

Epitomizing this changed outlook, prices in some commodities began turning handsprings. Copper, for instance, jumped from 9½¢ per lb. in September to 14¢ this week. Zinc, no less spectacular, splurged recently above 6¢; and lead, in less than six months, jumped more than 30% to 6¢.

Textiles, with mills running at capacity, were particularly buoyant, under the influence of higher raw material prices, particularly cotton. Rubber had a mild boom and wheat crossed \$1.38,



International

THE CREST GOES BY—And the South is safe. Here's how the big show on the river looked from Memphis, protected by its bluff. They have watched the Mississippi anxiously there and farther south, have suffered some lowland damage, but have escaped the widespread destruction that ravaged the Ohio Valley.

Inventories Take Upward Trek

Industry — Number of companies in parentheses	1936	1935 (in thousands—000 omitted)	1934	1929	% Change 1936 over		
					1935	1934	1929
Autos, and Accessories (7)	\$91,371	\$73,413	\$57,528	\$84,698	+24	+59	+8
Chemicals, Plastics (6)	64,576	56,442	56,443	56,976	+14	+14	+13
Building Materials (7)	35,203	30,232	26,722	34,473	+16	+32	+2
Foods, Beverages (10)	59,080	48,197	47,658	52,913	+23	+24	+12
Leather and Shoes (3)	30,920	30,158	26,402	46,852	+3	+17	-34
Machinery (10)	69,138	66,106	58,325	77,476	+5	+19	-11
Merchandising (11)	254,645	223,002	210,997	248,450	+14	+21	+2
Metals, Mining (8)	45,922	41,364	35,360	38,757	+11	+30	+18
Railroads (13)	127,485	118,674	118,369	172,650	+7	+8	-25
Railway Equipment (4)	7,690	7,509	5,895	9,472	+2	+30	-19
Refrigeration and air- conditioning (4)	12,090	10,444	9,186	13,275	+16	+32	-9
Rubber and Tires (4)	162,226	126,810	123,824	167,807	+28	+31	-3
Textiles (9)	51,384	48,639	38,918	55,879	+6	+32	-8
Tobacco and Snuff (6)	312,814	284,347	269,715	296,606	+10	+16	+5
Utilities (9)	18,638	17,839	18,022	19,828	+4	+3	-6
Unclassified (10)	128,586	113,577	110,742	153,899	+13	+16	-16
TOTAL (123)	\$1,471,768	\$1,296,753	\$1,214,106	\$1,530,001	+13	+21	-4

Business Week

IN 7 (OUT OF 16) CASES—Year-end stocks of goods on hand exceeded 1929. This was revealed this week when *Business Week* completed an extensive survey of leading American corporations. Data was furnished confidentially or was taken from published balance sheets. Inventories in all classifications were well ahead of both 1935 and 1934.

causing joy in the Chicago pit and on the farms. And yet, when the spectacular advances of a few commodities have been placed in perspective, the conclusion is invincible that the country is still far away from a boom.

The proof of the business pudding is what all commodities did—not a few spectacular advances. And from Sept. 15 to this week—five months—the 784 commodities in the Bureau of Labor Statistics index rose only 4.8%; and the *Business Week* index of activity concurrently advanced 5.9%. Which would imply that prices and business activity were keeping in step—not that prices were getting out of hand on an inventory boom.

Finished Products Sag

Finished products, as is customary, were laggards on the advance. In the five-month period, they were up only 2.9%, whereas raw materials advanced 4.8% and semi-manufactures jumped 11.6%. These advances are hardly sufficient to enforce the verdict that business was building inventories for inventories' sake. Rather, the inference is that though inventories are higher than they were in 1935 and 1934 and only a little less than in 1929, they are normal in relation to business.

As for the proximity to 1929—something should be said. In the Department of Commerce statistics (see chart, page 15) stocks are well below the 1929 level, when business as a whole was higher than it is today. Yet reports of leading corporations show that inventories now are only 4% lower. The explanation is that during the depression such corporations expanded and got an increasing share of the

total business, either by adding new products, or by absorbing other companies, or by increasing the number of stores or outlets. Therefore, these corporations tended to boost their inventories, both in dollars and in quantity.

And the steadily declining curve of stocks on hand since 1934, accompanied by the advance in business activity and higher prices, is reassuring. Industry whittled into inventories until now there appears to be a fairly close correspondence between what is being consumed and what is being produced. Only in the last six months have stocks turned up—and that was essential to meet forward buying and it did not produce a disproportionate rise in the wholesale price index. In short, prices have not yet gotten out of hand.

N.R.D.G.A.JoinsA.R.F.

But department stores' organization puts cautious hedges on its affiliation.

AFTER a two-year overture, the National Retail Dry Goods Association, ex-affiliate of the United States Chamber of Commerce, and the American Retail Federation middle-aisled it this week. It wasn't a complete union—N.R.D.G.A. took care to emphasize that point—only a sort of companionate marriage in which the association of 5,700 big department stores has served notice that it intends to preserve its own autonomy and will go along with A.R.F. and its 120,000 merchant members only on those issues in which retailing as a whole industry makes common cause against other groups and interests.

Similar proposals advanced by the National Retail Furniture Association in offering to affiliate its 5,300 members with A.R.F. are almost certain to prove acceptable to the federation. The addition of these two associations will raise to four the number of national retail organizations which now live amicably with 12 state associations (representing mostly small merchants) under the A.R.F. roof-tree.

Agree on "Returns"

Joint committee of department stores and apparel suppliers draws up 4-point pact.

To settle the "problem of disputed returns with the least friction and with the best possibility of a fair and equitable determination of the rights of the parties involved," a joint committee of the National Retail Dry Goods Association and the Apparel Industries' Inter-Trade Bureau this week, after long labors, submitted a four-point agreement to memberships of both organizations. Within 24 hours, the apparel members voted enthusiastically for the program, which provides that:

Four-Point Program

(1) Return of merchandise which allegedly is defective, or fails to meet terms of delivery or other conditions, shall be made within five days. However, returns made for defects not discoverable by ordinary inspection, such as in workmanship, material, or fit, may be made at any time such defects are revealed.

(2) Reasons for such returns shall be stated in writing.

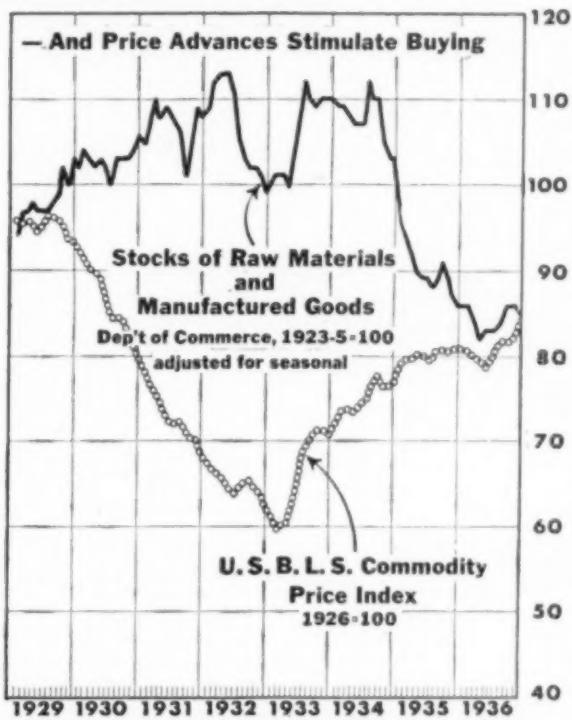
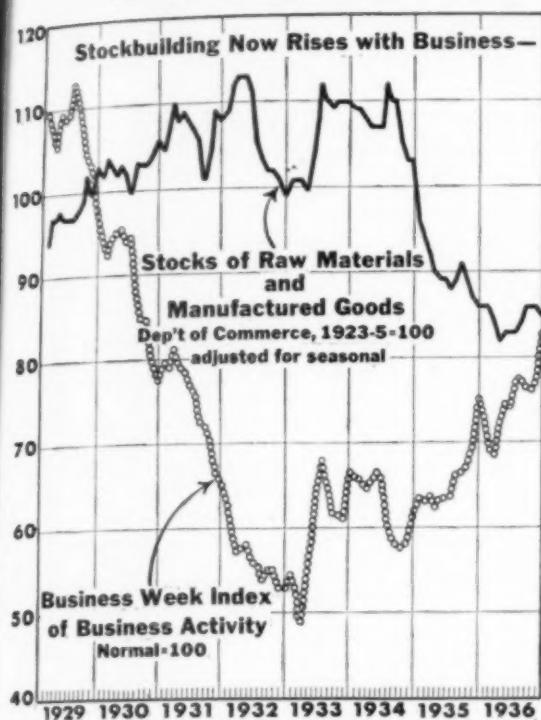
(3) If the vendor feels any return unwarranted, the issue shall be submitted to arbitration.

(4) In arbitration proceedings one representative shall be selected by the department store (N.R.D.G.A. has indicated that it will have regularly available a panel of eligible arbiters) and one by the vendor, and if these fail to agree on the merits of the case they shall jointly select a third.

Other trade groups will watch with considerable interest the application of these rules, and hosiery manufacturers at the meeting of the Hosiery Industry Conference in New York last week voted to investigate prevailing practices on return goods and to establish policies of their own. It is assumed, however, that when the hosiery industry's standards of construction and inspection for women's full-fashioned get into full swing very soon (*BW*—Jan 22 '37, p 14), the problem of returns, at least in that important division of the business, will be less of concern. The program will go into effect as soon as the grade-marks are properly registered.

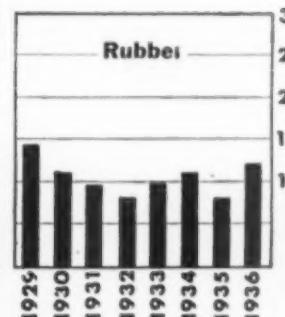
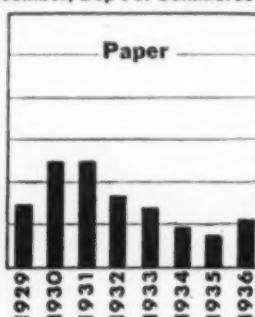
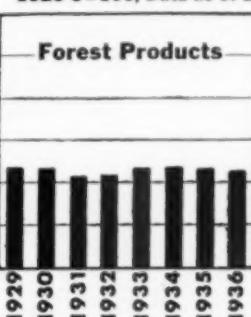
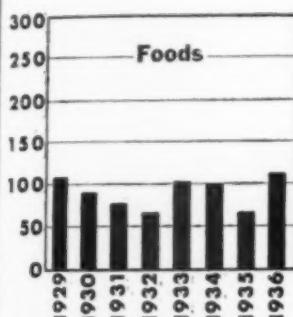
INVENTORIES, PRICES, AND BUSINESS ACTIVITY

All Are Pretty Much in Step—Speculation Is Not Yet Out of Hand



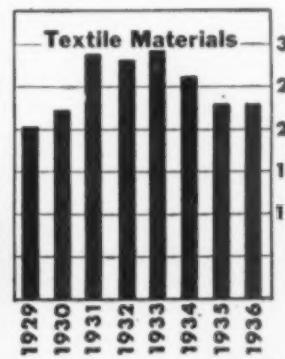
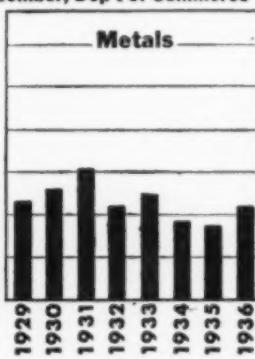
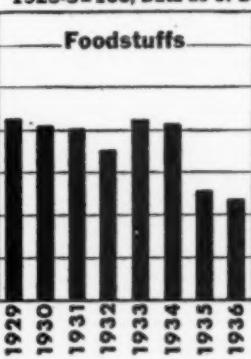
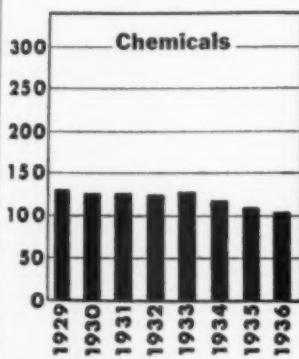
Year-end Stocks of Manufactured Goods Seem Neither High nor Low

1923-5=100; Data as of December, Dep't of Commerce



Textile Inventories (Alone in Raw Materials Group) Exceed 1929

1923-5=100; Data as of December, Dep't of Commerce



INVENTORY EXPANSION—Over the last six months of last year, business began building up inventories following fairly consistent declines in stocks on hand since 1929. Price advances contributed to the buying movement, as did fears of labor

trouble and delayed deliveries. Trade activity did not lag behind the inventory rise (note particularly last half of 1936), indicating that stockbuilding was not wildly speculative. Nor were inventories on hand in December 1936 unusually high.

The Court and "Willful Men"

Outcome of President's biggest battle depends on his own willfulness (as compared with Wilson's in League fight). Lawyers lead impressive opposition.

WASHINGTON (Business Week Bureau) —Intensely significant in the Supreme Court enlargement proposal is the admitted fact that President Roosevelt has been groping toward it since immediately after the NRA decision. The significance lies not so much in the important point that federal control of wages, hours and working conditions is one of the essentials of the Roosevelt program blocked by the Supreme Court, as in the rather baffling point that the NRA decision was unanimous. So that appointment of six additional judges, even assuming six sufficiently tractable jurists could be confirmed by the Senate, would not clear this hurdle.

The hurdle itself must be lowered. The new NRA, to come if and when the Supreme Court is mentally and economically more in tune with the New Deal, must not require such a mental straining to bring it within the powers granted the federal government in the Constitution.

This is vitally important whether the President win, lose or draw his present fight. For even utter defeat, so far as

congressional action is concerned, does not preclude high court changes. More than likely there will be a few changes before the end of the present Administration—probably before much more time has passed—perhaps enough to reverse previous five to four decisions. And it must be remembered that there is a suspicion that some of the six to three decisions were really five to four, but made six to three by the desire of a certain member of the court to avoid the onus of five to four judgments.

Some Points Overlooked

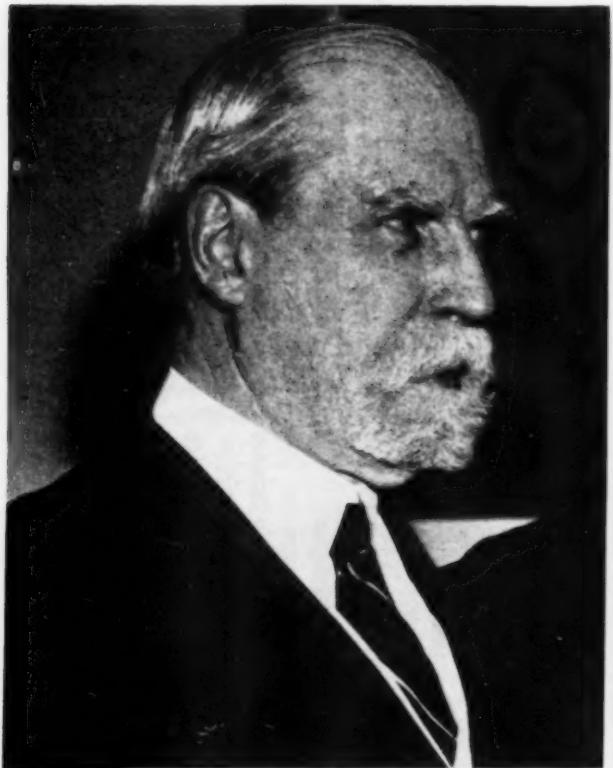
It is still too early to forecast accurately the outcome of the President's fight. One of the reasons is overlooked by commentators constantly linking the present battle to the League of Nations fight which wrecked Woodrow Wilson. Most of these commentators forget important points in making this comparison. For instance, Wilson could have won that fight, even after it had been dragged out for more than a year, even though every racial group in the country was against him for one

reason or another—notably the Germans, Irish, Italians—even though there was a much larger and more cohesive Republican opposition in the Senate, and even though the immediately preceding election had resulted in Republican victory and repudiation of the Administration. He could have won it by merely keeping quiet!

But when the Lodge reservations were adopted—reservations which Lord Robert Cecil said two years later would not have made any difference—Wilson ordered all his followers to vote against ratification of the treaty. It was his stubborn refusal to permit any compromise which defeated him, not the tremendous opposition which his proposals engendered.

One other difference between that fight and Roosevelt's fight to enlarge the high court is at once apparent. It is the time element. The country was assumed to be for the league for a long time after Borah and Hiram Johnson began their battle. It was months before the first straw to show how public opinion was veering was observable, and this not until a primary election.

This time the apparent public reaction was immediate—much too quick to be reliable. Why? Because lawyers were outraged at the proposal. Prominent lawyers. Lawyers who happened to be in Congress, or in state legislatures. Lawyers are the most vocal of all the



Harris & Ewing

UNDER SCRUTINY—While the country looks at the Supreme Court, the Chief Justice (75 years old next April) looks at the first Presidential nominee for a federal judgeship since Mr.



Roosevelt put the age issue into the court battle. The nominee is Alfred P. Murrah, appointed for service on the District Court bench in Oklahoma. He is just 33 years old.



Wide World

TRAILER TOWN—More than 1,400 trailers, housing some 3,500 persons, rolled up and parked near the Boston Red Sox park at Sarasota, Fla., last week, to attend the annual conven-

tion of the trailer clan. This picture shows about a third of the trailers, which came from every state in the union for the big pow-wow.

professions or lines of business. More attention is paid to their resolutions, because generally a bar association or other group of lawyers is given the benefit of the doubt that it has no selfish interest. The chief danger to the President's proposal is that lawyers also have to a marked degree a greater capacity for leadership in public opinion than any other group. It may be that the lawyers opposed to the President's proposal will convince the public that the whole thing is bad.

Little lawyers are apt to follow big lawyers. The possibility of little lawyers, talking around county court houses and in neighborhood improvement association meetings, convincing the folks that this is bad is much more important than the fact that most of the big newspapers are editorially opposed to the President on this proposition. The last campaign cast some doubt on the ability of the editorial writers to sway public opinion.

If it should appear, some weeks or months hence (for this will be a long-drawn-out fight) that public opinion has swung against the President, senators now holding their ears to the ground will vote against him. As this is written, more than one-third of all the senators are deliberately withholding public comment, waiting for certainty as to how their constituents will react.

Has Put Himself On Spot

But one thing seems certain. The President has definitely risked his reputation for infallibility. He faces the probability from now on that every proposition he makes will be scrutinized. It is this factor which causes so many commentators to compare the present fight with Woodrow Wilson's battle for the League. Incidentally

they are following the old Wilson slogan of "Watchful Waiting" and hoping earnestly that it is not just wishful thinking.

There are some funny personal touches in the fight. For example Hatton W. Sumners, chairman of the House Judiciary Committee, whose wise cracks delighted every reporter covering the story, does not particularly like his fellow Texan, Maury Maverick—regards him, if he could be induced to bare his thoughts, as a publicity-seeking upstart. So when Maverick rushed in and introduced the

President's bill, regardless of the chairman of the Judiciary Committee, it did not smooth out any wrinkles. Then there are two other Texans at odds—Senator Sheppard, who rushed in to endorse the President's proposal a few hours before word came of the Texas legislature's heavy vote against it, and Senator Connally who discovered it was bad a few hours after that same action.

Reverting to the Woodrow Wilson comparison, it all depends on how much Roosevelt will compromise, and what compromising will do to him in the future.

Automobiles Pick Up the Slack

Barring another major strike, production for year should near 1929 record. General Motors and union begin bargaining for permanent agreement.

DETROIT (Business Week Bureau)—As General Motors moved this week to put 235,000 employees back to work, realists looked upon the end of the car industry's greatest strike as little more than a truce. The chief issue had temporarily been disposed of by recognition of the United Automobile Workers to the extent of its membership in G.M. plants. Normal operations, releasing the flow of a million dollars a day into employees' pockets as wages and of added millions into the tills of materials and parts suppliers, were being resumed as other strike issues were threshed out in conferences to cover hours, wages, seniority rights, piece-work versus day rates, and working conditions.

John L. Lewis did not win for the U.A.W. the right to be the sole bargaining agency in any G.M. plant, but

he did get the first union agreement ever signed on a national basis by General Motors. In the 20 strike-closed plants he wangled a special concession, with the corporation agreeing for six months not to bargain with any other union or group of employees without first securing the consent of Gov. Frank Murphy of Michigan. This, assert Mr. Lewis's spokesmen, is equivalent to recognition as the sole bargaining agency for a half year.

The strike settlement failed to settle the all-important question of what can be done to rid industry of sitdown strikes. True, General Motors got the support of the law when Judge Gadola issued an injunction and writs to dispossess the strikers of the plants, but it didn't get its plants back until it had signed on the dotted line.

Mr. Lewis has a six months' breath-



International

AT LONG LAST—With everybody pretty well pleased—the strikers who held the plants, the troops who didn't have to use their guns, and the negotiators who worked day and night—General Motors opened for business again this week. William S. Knudsen closing the parley, a tired man (below, with reporter) voiced the general sentiment of all business when he said: "What is most important is to get people back to work, with a desire for peace and no animosity on either side."

ing spell in which to build up the U.A.W. Every effort now will be put on a membership campaign in G.M. plants, which should be stimulated by the right granted workers by the corporation to wear union buttons on the job. It was the discharge of four union men for wearing buttons at Fisher body's Atlanta plant in November which precipitated the trouble leading up to the big strike.

Pledges Must Be Kept

The union is somewhat on the spot in the preliminary settlement which says that hereafter all opportunities for negotiation shall be exhausted before strikes are called. It remains to be seen whether it can live up to this stipulation and control its own members. The union also agrees not to intimidate or coerce employees and not to solicit or sign up members on company property. G.M. pledges no discrimination against union workers.

Governor Murphy's position isn't very comfortable. He is now in the middle between William Green and the American Federation of Labor craft unions, on the one hand, and Mr. Lewis and his rank-and-filers, on the other. If Mr. Green seeks to press General Motors on collective bargaining in the next six months, Gov. Murphy will need all his famed tact.

Other Union Demands

Not a part of the settlement but concurrent with it was a wage increase for G.M. employees of \$25,000,000. Despite this action, the union is pushing for a minimum annual wage, which would necessitate still higher pay. It also wants seniority based on length of service alone, a slowing down of production lines, a 30-hour week (which it is believed to be using merely for bargaining purposes).

The U.A.W. already has started a drive on parts plants, particularly those serving Ford. At Ainsworth Manufacturing Co. it has been granted union recognition, a union shop steward system, seniority rights, a 40-hour week, time-and-half for overtime, and a minimum wage of 75 cents an hour for men and 65 cents for women. Briggs Manufacturing Co., and Murray Corp., on which the union has concentrated considerable attention lately, have upped hourly rates voluntarily. The union has launched a campaign in Detroit to gain a 5% bonus for workers on night shifts. Dodge Division of Chrysler is reported to have put this into effect. The U.A.W. now claims a membership of 200,000 as against less than 100,000 when the G.M. strike began; it says it has 50,000 in the metropolitan Detroit area alone.

Coal and Steel Next

With Mr. Lewis fully occupied in coal and steel for the next few months, another major strike in the automobile industry appears remote during the current model year. Union officials feel satisfied with relationships at Chrysler, claim they swept recent elections for employee representatives in Chrysler plants. The union hasn't a firm enough footing yet in Ford plants to pull a successful strike, though its officers have directed some nasty remarks towards Dearborn lately. Mr. Ford's employees enjoy a high minimum wage of \$6 a day. He is believed to be waiting for the right time to introduce the six-hour day.

Final figures on production will show that both January and February outdistanced the same months a year ago. General Motors counts on turning out 225,000 units during March. Ford is scheduling about 130,000 cars for the same month, Chrysler 125,000. It



Wide World



International

What has a WOMAN to do with TRUCKS!

Besides trucks for heaviest duty, like those in the Payne fleet, shown in the illustration below, International offers all sizes, ranging from light delivery models to powerful six-wheelers.



Great enterprises require great equipment. Here is one of the Payne International Model A-8's in action on the bank of the Columbia River. Stamina built into every part of the chassis and engine qualifies the truck to do such work at maximum efficiency, at minimum cost.



"As a woman in the trucking contracting business," says Mrs. Payne, "I find that I always get a square deal. We put our business on a business basis and keep it there." Mrs. Payne says her Internationals have always been dependable money makers for her, operating at lower cost than any other trucks she ever owned.

AT Grand Coulee on the Columbia River, the greatest dam construction job ever undertaken, Mrs. C. M. Payne, of Spokane, head of the C. M. Payne Contract Trucking Company, has plenty to do with trucks—*her own trucks*.

To say that Mrs. Payne is pleased with her International Trucks is putting it mildly.

Mrs. Payne says:

"Our Internationals at Grand Coulee work three shifts around the clock daily, seven hours to each shift. They have worked practically every day since we put them on the job. And they have operated at less cost from day

to day over this period of time than any other trucks we ever owned. Furthermore, International Harvester knows the contractor's problems, and International service is so nearly perfect that it is in a class by itself."

International's supremacy in heavy-duty work is paralleled in every hauling field. International Harvester will be glad to find the right solution to your hauling problem whether you handle a half-ton of merchandise for a city store or ten tons of mud from a river bed.

Ask any International dealer or Company-owned branch about it.

INTERNATIONAL HARVESTER COMPANY
(INCORPORATED)
606 So. Michigan Ave.

Chicago, Illinois

INTERNATIONAL TRUCKS

appears next month's total will rival the 527,726 units built last April, the peak month of 1936.

First-quarter output, it is estimated, will hover around 1,250,000 units, compared with 1,117,172 in the same quarter a year ago. Last year 24% of the car production occurred in the initial quarter, 32% in the second quarter, 19% in the third quarter and 25% in the final quarter. If the same condition holds good this year, total output would be near 5,250,000 units—pretty close to the 5,621,715 units turned out in 1929 for an all-time high.

It is possible that General Motors will be able to attain its year's goal, even after its prolonged shutdown. Its production speed will be regulated principally by the number of bodies it can make. All divisions have huge backlogs of unfilled orders. Though dealers' stocks are at low ebb, postponed buying may keep sales and production going along at higher than normal far into the summer.

The strike ended soon enough that tooling programs for '38 will be put through as planned. Large sums will be spent in the next month or two for expansion of productive capacity and for cost-reduction purposes. It is still believed that mechanical and body changes for next year will not be radical in character.

Lewis Turns to Coal

Conference between bituminous operators and miners watched from sidelines by steel industry.

SOFT-COAL miners work 35 hours a week. They would like to work less—say about 30 hours, for the same pay. Operators, on the other hand, producing plenty of evidence that they still are depression-struck and that there's little or no profit in their business, want the men to work 40 hours, for the same wages.

Therein lies the immediate cause for argument between the United Mine Workers (led by a former miner, John L. Lewis) and the mine owners and operators. They got together this week to begin their deliberations, with exactly six weeks to go before the present working contracts expire on the last day of March.

Lewis' Charges

Tempers were fairly ragged, as a result of a blast let loose by Mr. Lewis last New Year's Eve on a radio network, in which he charged the operators with breaching the contracts. He added that "the miners have a right at will to denounce its provisions and withdraw from the mines."

Cause of the Lewis charge was the operators' suggestion that the new agreements look toward longer hours, and the operators were quick to anger when they learned of the Lewis interpretation. They replied that his claim was preposterous and utterly untrue.

Thus the conference this week got off to a nerves-on-edge start. For some time, the headlines will carry news of its progress—or lack of it. And behind the scenes are several possible acts which may eventuate to the general dislocation of business.

Captive Mines a Factor

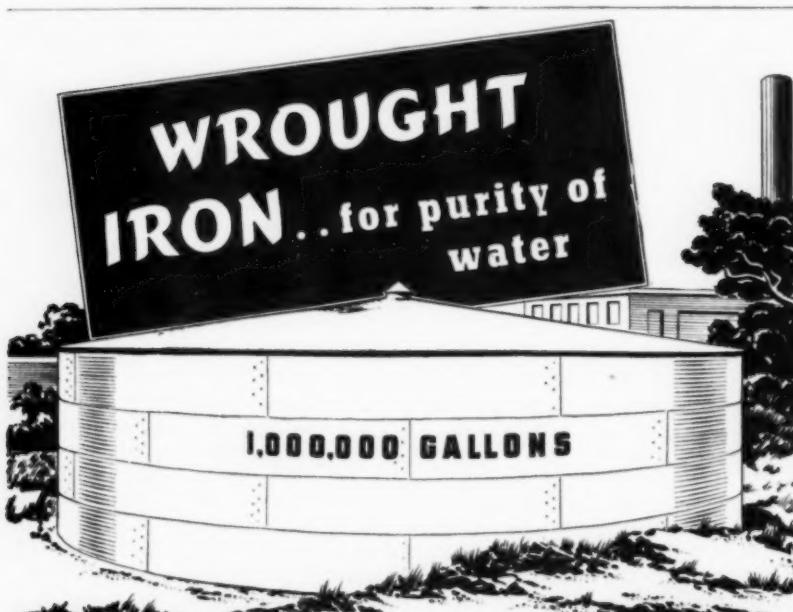
First, and linked to the threat of a coal strike, is the oncoming steel campaign which the Committee for Industrial Organization has been pushing since last summer. A lot of miners are really employees of steel mills—they work for so-called captive mines which are owned and operated by the great steel companies.

Captive mines are pretty well unionized, and have the "check-off" system by which the paymaster takes union dues out of the wages. Steel management is disturbed to think that they may be helping mine unions collect a war chest to use against steel itself, and the check-off will come in for considerable debate.

Another angle, not of prime moment in discussion of coal hours and wages, but inextricably linked with the present conference, is the separate organization work done in the steel mills themselves by the men whom Philip Murray of the C.I.O. set to work last year. Mr. Murray claims some 130,000 members for the Iron, Steel, and Tin Workers union, and has said: "The earnings of the steel companies for the last quarter in 1936 definitely indicate the ability of the industry to carry wage increases."

C.I.O. Cites a Case

WHEN the Committee for Industrial Organization lists the arguments for industrial, or "vertical" unionizing, as opposed to craft organization, it always points to the Amalgamated Clothing Workers, headed by Sidney Hillman, as a shining case in point. With 135,000 well-organized and well-managed members, this union controls labor's side of an industry which used to be chaotic and confused, now goes along with a minimum of fuss and fury. This week the clothing workers were proud of another step—they signed three-year agreements with employers for a 12% wage increase, or about \$30,000,000 a year. It is the first national agreement negotiated by the Amalgamated. And so thoroughly sold is the union on C.I.O. principles that it plans a donation of \$500,000 for the purpose of aiding future industrial unionization campaigns.



A million-gallon tank was constructed of wrought iron because purity of water was essential. Whether it's purity of water or long tank life—wrought iron can give you both, because it is much less affected by corrosion than ordinary ferrous metals. The facts

BYERS

GENUINE WROUGHT IRON TUBULAR AND FLAT ROLLED PRODUCTS
Specify Byers Genuine Wrought Iron Pipe for corrosive services and Byers Steel Pipe for your other requirements

He says...
"WE'RE NOT GETTING OUR SHARE!"



We say:
**ACT NOW-
INSTALL**

Carrier
Air Conditioning

HERE'S no need for your business to fight the weather. Carrier Air Conditioning puts the handicap of heat and humidity right out of the picture. This summer, when the thermometer soars, make sure your profits don't dip. Start your installation now.

Remember, no matter the nature of your business—whether you are a manufacturer, hotel owner, department

store head, office executive or small merchant—Carrier will plan an installation to fit your needs **exactly**. The same engineering skill that has made such world-famous installations as those in the Queen Mary, the U. S. Capitol, Radio City, large and small installations in America and 99 countries of the world—is prepared to select for you the most economical and efficient system.

But you should act now—before the cost of materials advances further—while there is still time, so that you will be prepared for the first warm days. So, whether you are interested in a year 'round system for your business, or a small unit for your individual office, your living room or bedroom at home, see your local Carrier representative or mail the coupon today.



J. L. HUDSON'S, Detroit, soon will have world's largest air conditioning system, Carrier cooled.



RENTED is the American Bank Bldg., New Orleans. Reason: Carrier Air Conditioning.



WASHINGTON GETS HOT! But visitors to Hotel Carleton can have Carrier Comfort.

**CARRIER CORPORATION, Desk 238
850 Frelinghuysen Ave., Newark, N. J.**

Please send me, without obligation, complete information on Carrier Air Conditioning for my store; office; factory; home.

NAME _____

ADDRESS _____

CITY _____

STATE _____



ACME

EVER-NORMAL—Sec. Henry Wallace, Administration strong man, is pegged by wise observers as a man worth watching. Under a revised court system, his AAA might come back; further in the future, say some, lies a shot at the Presidency. Right now the Secretary of Agriculture is busy explaining the "ever-normal granary" plan of farm administration; this picture was taken as he advised the Senate Finance Committee that the farm program would be aided by the reciprocal trade agreement act.

New Farm Plan Tops Everything

Wallace demands production control, regardless of Supreme Court decision last year, and farm conference supports him on this and other points.

CONGRESS shortly will be called upon to consider the broadest farm program ever advocated in this country. It will be the substitute for Agricultural Adjustment Administration activities scuttled by the Supreme Court just a little over a year ago; it will include the stop-gap soil conservation scheme with enlarged benefit payment provisions; it will embody long-range planning, resettlement, and rehabilitation, and farm tenancy reform.

But, most important of all, there will be crop insurance, the ever-normal granary, commodity loans to peg prices, and an all-inclusive, two-phase formula for production control.

A Lure—and a Lash

However it is introduced—as a series of bills or as a single multi-titled piece of legislation—this business of production control is due to be the big noise. It is designed to work persuasively at first. The government will store surpluses of the good years in the ever-normal granary until the walls bulge. Meanwhile farmers will have been cajoled with larger benefit payments for soil conservation, the advantages of crop insurance, and the incentive of commodity loans for all the faithful who cooperate in controlling output.

But, when surpluses get out of hand, there will be the punitive control meas-

ures for the farmers who haven't played ball. Three types of "absolute" or "positive" control have been advocated by Sec. Wallace. One is the familiar tax on production in excess of quotas; another is a ban on interstate shipments of surpluses; the third is a state-federal contract to prevent marketing of any farm output which exceeds allotted quotas.

The first two possibilities run the risk of Constitutional challenge. However, Sec. Wallace doesn't believe the Hoosac Mills case (which clipped AAA's wings) definitely and for all time rendered agriculture a local matter. But he vehemently denies that the suggested Supreme Court reform touched off the renewed agitation for production control. He says that one or a combination of these plans would have been brought forward anyway.

And, no matter what the means and method of control, the farm program has definitely jelled. The conference of farm leaders in Washington last week, and the Wallace-inspired recommendations they adopted for recommendation to Congress, showed that. Crop insurance and farm tenancy bills already are before Congress, but they probably will be reshaped and refitted to the broader pattern, because the ever-normal granary is heart and soul of the new program.

It starts out this way. High prices have encouraged large plantings for the coming crop year, despite the soil conservation program. If growing conditions are favorable, there will be substantial surpluses this year. These will be taken over by some such corporation as Commodity Credit Corp. (and this agency will be made permanent) through crop loans. The loans will be high enough to preserve the parity of farm income but not so high that consumers will suffer, AAA says.

Then They Get "Positive"

The question then arises: "Won't those pegged prices encourage a repetition of over-planting?" The AAA anticipates that problem by saying that when the granary threatens to overflow, the "positive" production control plan will be invoked. This would be, as Sec. Wallace explains it, at a time when surpluses in the granary amount to something like 25-40% above "normal," and normal would be a predetermined figure for the various crops.

As long as surpluses are held to something like 10-15%, only the persuasive output control features would be operative. That's because the AAA wants to maintain modest excesses to protect consumers from runaway markets in years when drought raises havoc as it did in 1936. But cotton and rice already are nudging that 10-15% surplus stage, so the day of positive controls is not too remotely distant.

Critics of the loan-and-storage method of handling surpluses have raised the cry that excess supplies, even though temporarily taken off the market, remain surpluses. But Sec. Wallace answers that the corn loans four years ago were all paid off, even though they were granted well above the market. He adds that this plan is a permanent vehicle and hasn't the weaknesses of the old Federal Farm Board with its emergency characteristics.

Retiring 15 Million Acres

Long-range resettlement, retirement of submarginal lands, and relief of farm tenants may take a back seat while the more spectacular phases of the program are being considered, but they will be part and parcel of the legislation. Already the President has transmitted to Congress the report of his Great Plains drought committee, with its recommendation that 15,000,000 acres (involving 24,000 farms and perhaps 2½ million farm residents) be retired over the next 10 years. States would be asked to cooperate in restoring grazing land, increasing the size of farms, balancing production, adding to irrigation, and fighting insects.

Then, too, there is farm tenancy. The report on this subject urges not only the presently contemplated revolving fund to aid the 2,865,155 farm

High price plantings for the soil con-
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55 farm

PULLMAN...a boon to every busy executive

Says **THOMAS H. McINNERNEY**
President, *National Dairy Products Corp.*

• • •
"The Pullman Company is a boon
to every busy executive. Pullman
facilities give him more time to
work, and a way to work in comfort."

Thomas H. McInnerney



Pullman Travel The Best "Policy"—
"Travel by Pullman is the best 'policy' I know," says Wallace Cox, New York insurance consultant. "There's room to move about—more like a club than a railroad train."



PEOPLE JESTED UNKNOWINGLY OVER A VICIOUS HAZARD

While the world humorously debated,
ran contests and fretted, in fine whimsy,
over the menacing problem of what to
do with used razor blades, Pullman
was cutting a little slot for them in its
Men's Wash Rooms. Thus, many an in-
nocent porter, car cleaner and laun-
dry employee has been saved many a
vicious, painful wound from razor
blades heedlessly tossed among used
towels in the Men's Wash Room.

• • •
Prefers Travel This Modern Way
—George C. Dodge, The Elgin Corpora-
tion, Fifth Ave., New York, says: "The
restful comfort of Pullman cars, along
with the attractive Pullman rates,
cause me to travel this modern way."

PULLMAN AND RAIL — THE SAFE WAY TO GO AND THE SURE WAY TO GET THERE



Going places on business? Make it pay by traveling in the relaxing comfort of Pullman. On most trips you can travel by night, arrive rested and fresh for a full business day. Not a minute wasted!

Pullman has taken the grind out of travel, replaced it with air-conditioned comfort, privacy you can work in, and with deft, understanding, courteous service. Business men the nation over are *circulating* more—making more business contacts, seeing more customers, taking advantage of the new low cost of Pullman travel.

Consider, too, Pullman safety. It's the safest scheduled travel in the world! You can depend on getting there, when you go by Pullman, despite rain, snow, cold or heat.

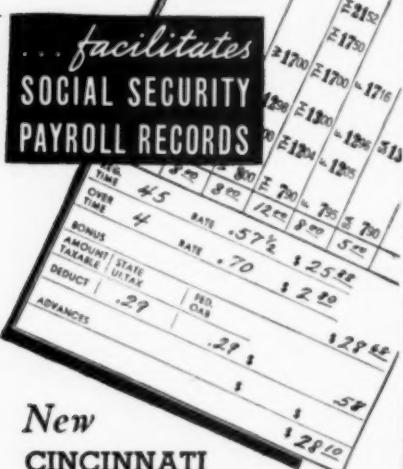
Pullman service is available on railroads throughout the nation and also in Canada and Mexico. Your ticket agent can quickly tell you the cost of any Pullman accommodation to your destination. Or write to

THE PULLMAN COMPANY, CHICAGO



Payroll Figuring made Simpler, Easier, Speedier

New CTR Time-Card
saves time, eliminates mistakes... provides complete payroll record and...



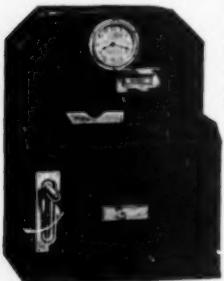
New CINCINNATI UP-THE-CARD Recording

LATEST development in payroll accounting. Examine time-card shown above — "UP-THE-CARD" registrations in Continental Time (1 to 24 o'clock) with fractional hours in 10ths and 100ths, now made possible with a remarkable new CTR Payroll Recorder. Accommodates several hundred employees, regular and irregular schedules. Conventional time (1 to 12 o'clock) is optional.

Complete record of hours, wages and Social Security deductions for entire payroll period of one employee, on one small card. Exchange your old equipment now and save money.

FREE SAMPLE: An actual size sample of this new time card, with an explanation of its money-saving convenience, sent upon request. No charge or obligation. Ask for full information on "New Series 800-FA."

★
New Series 800
FA Recorder pro-
vide 22 Register-
ing positions in
24 hours.



THE CINCINNATI TIME RECORDER COMPANY

Established 1896

1739 Central Ave. Cincinnati, Ohio, U.S.A.
FACTORY SERVICE AND SALES
BRANCHES IN PRINCIPAL CITIES

tenants (716,000 of whom are sharecroppers) to buy their own farms; it asks in addition a vigorous reform in the method of leasing, and a provision for arbitration of disputes between tenants and landlords. It also urges that states repeal laws which forbid indebted tenants to leave farms, contending that these statutes "abridge civil liberties" and "tend to nullify federal peonage acts."

Mrs. Busby Wins

First National Bank of Chicago held liable for not selling her husband's stocks.

THE First National Bank of Chicago was held liable by the Appellate Court of Illinois last week for depression losses resulting from its failure to sell stocks in the estate of the late Leonard A. Busby, for which it was executor. The court ordered the bank removed as executor, and held that Mrs. Esther C. B. Busby, widow of Mr. Busby, traction magnate and one-time president of the Chicago Surface Lines, is entitled to recover "certain losses," estimated at more than \$400,000. Thus the court reversed the decisions of a Circuit Court judge and a Probate Court judge that the bank was not liable.

Instead of selling stocks owned by Mr. Busby at his death on Feb. 14, 1934, the bank held them while the market dropped. For this its president, the late Melvin A. Taylor, assumed responsibility. During the trial of Mrs. Busby's suit in the lower courts, Mr. Taylor, personal friend of the traction magnate, testified that he held the stocks, contrary to his associates' advice, in the hope the market would rise.

Mr. Taylor, human being as well as banker, had been on a spot. Mr. Busby, at his death, had left an estate having a net worth of \$650,000, after debts totaling \$946,000. Sound banking practice would have dictated liquidation of all stocks whose market value might sink. But to Mr. Taylor, accustomed to handling big estates, \$650,000 didn't seem much when left by the man who had bossed the Chicago Surface Lines—and that man was his personal friend. So he held the stocks, though Mrs. Busby, on Sept. 25, 1930, had authorized the bank to liquidate the estate.

On that date, the estate was worth \$617,709. Near the close of 1931, losses wiped out the estate. Early in 1932, the Busby securities had so declined in value that the widow was in debt \$256,000. Later the upturn began, and on Sept. 4, 1936, the estate's market value was estimated at \$65,357.

The Appellate Court ordered an accounting to determine the bank's liability. The bank is appealing the decision.

Personally Liable

Court rules Chicago Board of Education must dig into pockets for \$11,000,000.

THE Chicago Board of Education was unhappy last week, but the Norfolk & Western Railway Co., owning \$858,000 of unpaid 1929 Board of Education tax anticipation warrants, was a little happier, thank you! The reason was a decision of the United States Circuit Court of Appeals at Chicago in the railroad's suit against the board.

The court, passing upon the decision of Federal District Judge Charles E. Woodward, who last April enjoined the board from continuing to pay 1929 tax anticipation warrants in numerical order, held that Judge Woodward's action didn't go far enough and ordered a mandatory injunction directing the board to prorate, among all holders of 1929 warrants, all 1929 tax money on hand or to be collected in the future. The court upheld Judge Woodward's finding that the board became personally liable when it used 1929 collections to pay warrants in numerical order to the detriment of other warrant-holders, and added: "The exact amount of this liability can only be determined by an accounting as the District Court ordered."

Richard S. Folsom and Frank Righeimer, lawyers for the board, this week were contemplating filing a motion for a rehearing. About \$8,309,960 of 1929 warrants are outstanding. On hand, in 1929 tax collections, are \$1,280,450, cutting the principal for which the board must find funds to \$7,029,510. Interest, calculated roughly at \$4,000,000, would bring the total for which the board is liable to \$11,029,510.

The chaotic fiscal affairs of the local governments of Chicago and Cook County date from the beginning of 1928, the first of two years in which the governments collected no taxes because a reassessment was in progress. Taxpayers were supposed to save their money for taxes, but they spent it instead. Then came the depression, and a long period of governmental borrowing from Peter to pay Paul.

Of the \$62,700,000 of 1929 warrants issued by the Board of Education, \$52,683,000 have been redeemed serially. If the board had prorated that sum among all holders of 1929 warrants, each warrant-holder would have received 83% of the money due him. Those who haven't been paid demand their 83%.

The board, in redeeming warrants in numerical order, followed a 50-year-old custom, which was legalized by the Illinois legislature three years ago. But the act, of course, does not operate *ex post facto*.

X-Ray Averts Big Loss

Sunkist saves advertising investment by testing fruits after ruinous frosts.

ELECTRICAL research has come to the aid of California's \$100,000,000 citrus industry, fighting vigorously to recover from the recent disastrous frosts which appear to have damaged about 35% of the crop on the trees at the time.

The growers were faced with a tough job, as far as the current crop is concerned. Sunkist's investment in advertising (\$2,000,000 this year) has built up a large demand for citrus products. Sales strategy following the freeze had to be revised quickly to prevent possible permanent harm to the market created by the large promotion expenditures.

There was additional danger, too, that consumers might be weaned away from California products by citrus growers in other states, particularly Florida, with whom Sunkist has been carrying on a hot competitive advertising copy campaign (BW—Jan 9 '37, p20). The fruit that reached markets had to be of uniformly high quality so as to justify the somewhat higher-than-usual prices. The job was to find the most efficient means to insure that only fruit undamaged by the frosts should be shipped to consumers.

Found in a Shoestore

Thanks to the alertness and imagination of two citrus growers who went to Los Angeles last year to buy shoes, and to the enterprise of industrial research, the method of testing the fruit is available and a large part of the industry's threatened losses are on the way to recovery.

The two citrus growers, in the shoe store, watched a fluoroscope in action, one of those devices used by shoe salesmen to X-ray customers' feet. They began to wonder whether a similar device might not be developed to X-ray oranges, lemons and grapefruit, to show up even the most minute flaws in the fruit. They approached a manufacturer of X-ray equipment. Research developed a unit that fits over the conveyors on which the fruit passes to the packing boxes. An experimental installation worked so well that, when the present emergency arose, growers saw the possibilities and rushed orders to the manufacturer, General Electric X-Ray Corp., for as many of the instruments as could be supplied. Each unit retails at about \$4,000, and 100 will have been installed at strategic points in the citrus area before the end of February.

As much as possible of the current citrus crop destined for market will be passed through the X-ray so that frozen or otherwise damaged fruit may be

removed from the top-quality classification. Easterners (which, to Californians, means everybody away from the Coast) may pay more for their breakfast grapefruit and oranges, or for their lemons, but they probably won't encounter much damaged fruit, and the price scale can be maintained—at least that's understood to be the Sunkist marketing strategy and objective. It's the principal reason for the \$400,000 investment in X-ray units.

The device, as developed for oranges, lemons, and grapefruit, is an adaptation of the instrument familiar to construction steel manufacturers for detecting flaws in welds and castings. It is being installed in the actual production lines, in the packing plants. As the fruit goes through the unit, X-rays pierce it, and an image in visible light is produced on a screen. Foreign substance of whatever nature appears clearly.

Other Crops May Use Idea

Growers of other fruit products in California are interested in the Sunkist enterprise, and the device may have wide application with impressive savings to agriculture and allied industries. Raisin packers, for instance, long have been troubled with deposits of insect eggs on their product. Invisible, a few of these in a box of raisins result in spoilage. The X-ray instruments may be used to eliminate this hazard. Walnut growers are watching applications in the citrus field with the idea that their spoilage problem, involved in marketing quality walnuts, may be nearing solution.

The citrus industry expects to market about 75% as much of its product as last year. Frost damage in the crop on the trees amounted to about 35%. Tree damage is reported small, mostly among the young growths that can be replanted. In the 17 days of acute cold, growers spent about \$10,000,000 for heating their orchards. On the coldest night, the fuel bills came to \$1,000,000. At the peak of the battle, 16,000 persons were employed in the heating process.

Push Electric Hot Water

ELECTRIC water-heating, according to manufacturers and dealers, is in for a spectacular rise. Not that it hasn't gone well—last year's sales were 48% above those of 1935—but the trend is just beginning. First national advertising and promotion campaign is planned by Edison Electric Institute and National Electric Manufacturers Association, with Maxon, Inc., handling the copy. A feature of the drive will be a speaking tour by Kinsey M. Robinson, president of the Idaho Power Co., who knows how to sell 'em. His territory leads the country, with 20% saturation.



COMFORT and beauty of design are combined in Harter Steel Chairs. Modern as tomorrow these fine chairs are in daily use in many of the country's foremost offices—the list is a most impressive one.

Harter Steel Chairs have graceful lines and give genuine comfort. Ruggedly constructed—welded into one frame—they stand the gaff and are lighter in weight than comparable wood models.

Harter also leads in posture seating, with chairs scientifically designed to make correct posture easy and natural for every type of work.

HARTER

Corporation Sturgis, Mich.

MANUFACTURER OF THE WORLD'S FINEST STEEL SEATING EQUIPMENT



FREE BOOKLET "For Modern Offices—Steel Chairs by Harter." Write for it. Desk 127

More Workmen's Compensation?

Casualty insurance companies fear legislatures will pass new laws, particularly covering occupational diseases, thus forcing rates up.

LEGISLATURES of all but half a dozen states are now in session, and the casualty insurance companies are nervously awaiting the biennial crop of new laws on workmen's compensation insurance. Every two years, since 1912 when the business started, the obligations and responsibilities of the companies underwriting compensation have been broadened; some observers feel it is just a question of time until this branch of insurance will be obliged to take care of industrial accident, occupational diseases of infinite variety, and even retirement.

Need to Go Slow

As coverage is broadened, premium rates will go up (although they won't, in the light of past experience, go up fast enough to allow the casualty companies a reasonable margin). Thus it is generally believed that only a growing industrial opposition to too rapid extension of the compensation field can stem the tide.

For if the lawmakers go the limit

in providing for workmen's health, happiness, and future, private companies may be forced to abandon the field. States would then have to (if they haven't already) set up insurance divisions for employee coverage.

There is constantly in the minds of politicians, judging from their expressions, the desire to place more financial matters of all kinds in the states' hands. Where this has been done with compensation, employers have suffered. In Ohio, the only large industrial state that has a monopoly by law of compensation insurance, employers are found to pay more for proportionate benefits to employees than anywhere else. Investigations have disclosed that, in addition to higher costs, the service of the state monopoly is slower, more cumbersome, and less satisfactory generally to all parties.

Already the companies have bumped into one phase of the legislation problem which is giving them anxious moments. This is occupational disease, a topic which has been getting increas-

ing prominence since the silicosis horror stories. Many states now require employers to protect workers against this and many other types of ailment which may arise from employment—or be attributed, years later, to conditions prevailing in present employment.

The thing which upsets casualty company calculations is the continuing liability. Years after the contract with the employer is terminated, a worker formerly covered can come forward with a lung malady that he blames on silicon which he breathed during the time that the employer's policy protected him. Or he may declare a light shone in his eyes, or the sun was in his eyes during two hours of the afternoon, and that his vision was impaired.

Political Board Decides

Both claims are valid liabilities if the workman's condition was brought about by circumstances prevailing during the life of the insurance agreement under laws now in force in many states. And proving that the workman's disability didn't get its start during that period is a sweet job. In most states a political board hears the case and renders a decision. Its finding of facts is final—the underwriter may appeal on a point of law but not from the facts as determined by the board.

Under the circumstances there is a disposition on the part of casualty authorities to seek remedies. No line of action so far suggested contains a complete answer, and few companies



BOTH TITLE AND JOB—John M. Carberry, former editor of *Factory Management and Maintenance*, later member of the National Labor Relations Board and still later Morris L. Cooke's right-hand man in the Rural Electrification Administration, has been running REA since Mr. Cooke's resignation. This week Mr. Carberry moved up, became administrator.

KOPPERS

DESIGNERS • BUILDERS • PRODUCERS • MANUFACTURERS



KOPPERS DIVISIONS
 American Hammered Piston Ring Division
 Bartlett Hayward Division
 Engineering and Construction Division
 Gas and Coke Division
 Tar and Chemical Division
 Western Gas Division

KOPPERS SUBSIDIARIES, AFFILIATES
 Eastern Gas and Fuel Associates
 Hilti Engineering and Construction Company, Inc.
 The Koppers Coal Company
 Koppers-Rheolite Company
 The Maryland Drydock Company
 The White Tar Company of New Jersey, Inc.
 The Wood Preserving Corporation

BUILDS AUTO FERRY—This Diesel Electric Automobile Ferry, built for the Norfolk County Ferries and operating between Norfolk and Portsmouth, Va., was recently built and launched at the shipyards of The Maryland Drydock Company, Koppers subsidiary, at Baltimore, Md. At this plant, ocean vessels of all classes up to 10,000 tons are repaired and reconditioned.



Illustrated Book on
Koppers sent to Executives on Request

KOPPERS COMPANY, PITTSBURGH, PA.

4 COMPANIES, 4 PROBLEMS, ONE SOLUTION

Bell System Teletypewriter Service



Eleven teletypewriters in cities throughout California help Golden State Company deliver its dairy products *fresh*. The company enthusiastically reports: "This service has speeded up our transmission of orders, and expedited delivery of our perishable products."

John M. Carter, Manager, a member of the Board and the right-hand man of Mr. Frank C. Carlin, since Mr. Frank Mr. Carter, Adminstrator.

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Fashions are perishable products too. Neiman-Marcus Co. flashes new styles, new colors, and new fashion details instantly and accurately between its New York fashion organization and Dallas store by teletypewriter. Dallas is better dressed, Neiman-Marcus happier.



Armstrong Cork Co. isn't floored by the need for speedy communication among its manufacturing, laboratory, purchasing, and credit departments, and sales branches. Teletypewriters in ten key cities handle communications instantaneously, and in type form.



The Truseon Steel Co. unifies its far-flung offices and plants by teletypewriter hook-up of 31 machines throughout the country. Aside from increased efficiency and swifter service for customers, Truseon says the teletypewriter has made possible large operating economies.



Linoleum—steel—styles—milk . . . all kinds of businesses, large and small, employ Bell System Teletypewriter Service . . . for fast, flexible, accurate communication . . . across 300 yards or 3000 miles. Questions are asked and answered on the same connection. Every word is typed at all connected points—on company forms, with carbons, if desired. Mistakes are minimized, deliveries accelerated, customers pleased. . . . Bell System representatives will help you discover how this modern service can be profitably applied to your business. Call your telephone office.





"Let me press the button"

MOTHERS and their children and the childish voices saying, "Let me press the button." A small finger thrust upward and the button completes the contact. A winged messenger speeds the command to automatic directing and control machines—and the elevator is on its way.

The Finger-Tip Control Elevator forgets no one, passes no one, wastes not a second. Passengers (or operator) give the order to control mechanism by merely pressing floor or car buttons. Otis Finger-Tip Control can give *only* the best of service.

We consider Finger-Tip Control

an outstanding achievement in modern elevator development. Where new buildings are going up, the Otis installation is Finger-Tip, regardless of size of building or elevator duties. But the most encouraging feature of Finger-Tip Control is that it is adapted to modernization and particularly to the medium-speed machines. It has given a new horizon to the entire field of vertical transportation. Vastly easier, now, for all buildings to have modern elevator service—vastly harder for *any* building to keep up appearances that ignores this modern trend.

OTIS FINGER-TIP CONTROL for every elevator

are prepared to demand the right to give workmen a medical examination at the start and at the completion of employment so as to determine potential liability. Politics is a potent factor for labor unions oppose examining. Moreover, a man once turned down due to an insurance company examination is likely to claim that this rejection is keeping him out of work and sue for damages (these cases have arisen in past efforts to examine workmen before accepting them as risks).

Despite these drawbacks, casualty companies have been able to make a fair showing on compensation lines in the recovery years. In the first place, depression difficulties led state authorities to accept rates which were slightly more favorable to the companies. Moreover, malingering declined as employment became more profitable and steadier. And liability doesn't mount quite as fast as payrolls, for the simple reason that many men already covered are getting more money—not all the added payroll means additional risks.

Gains in Car Field

But the big improvement in casualty company business has been in the automobile field. In the first place, safety drives and the building of safer cars and highways have bettered the loss experience. Fifteen years of educating school children has materially reduced the number of youngsters hit by motor cars. And the intensive drive on ambulance chasers has broken up the worst accident rings. (The casualty companies spent \$400,000 in 1936 alone in running down these crooks; their campaign with school children costs an added \$150,000 annually.)

And room for growth in the automobile damage and liability field still is ample, since only about 25% of the cars on the road now are protected.

There is a similarly large field for expansion in surety and fidelity bonds. In the depression, business checked up on leaks, and found many trusted employees had been stealing for years. Moreover, hard times increased temptation. Both kinds of thefts cost the casualty companies money at the time, but future risks were cleaned up. And more employers were taught the reason for bonding employees, expanding business possibilities.

Negro Business

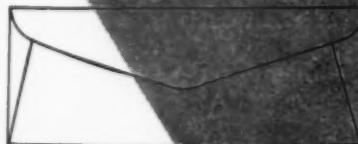
NEGROES own and operate 15 banks and 41 insurance companies, say the National Negro Bankers' Association and the National Negro Insurance Association, respectively. These and other figures, with explanatory material and analysis of the negro's business development, form the backbone of a study of "Negro Trade Associations," published by the U. S. Department of Commerce.

YOU PUT YOUR BEST FOOT FORWARD

WHEN YOU WRITE

Dear Sir

ON NEENAH BUSINESS STATIONERY



THE BEST PAPERS ARE MADE FROM RAGS

The simple facts about Neenah Business Stationery, attractively presented with sample exhibits in a convenient portfolio, will be sent upon request to executives who write on their business

stationery. Ask for "NEENAH BUSINESS PAPERS". Address: NEENAH PAPER COMPANY • NEENAH, WISCONSIN



Advertisers Doubt Chains' Threat

Declare private brands are an overrated menace, because a distributor can't establish a whole new line of products and move them fast enough.

"I've been in the grocery business more than 30 years, and as far back as I can remember I've heard about the menace of private brands—how they were going to push nationally advertised goods out of the market. Well, they haven't done it yet, and the probability of their ever doing it is pretty remote."

I know that the chains, voluntaries, mail order houses, and department stores are considerably agitated right now, and in a way I don't blame them. I also know all about the reprisals they're threatening to make and I have a wholesome respect for the way some of the distributors have been able to put over some of their house brands some of the time. But just the same, I'm not going home tonight and lie awake worrying about the sad plight of the chain store or the menace of private brands. I've seen these cycles of irritation come and go too often for that."

Characteristic Sentiment

It was a vice-president of a big grocery manufacturing company who thus accurately summed up the attitude of the national advertiser toward the private brand offensive which big distributors are threatening to launch (*BW*—Feb 6 '37, p 13; Feb 13 '37, p 17) as a result of the restrictions imposed by the Robinson-Patman law. And that attitude is not just a form of graveyard whistling; it is based soundly, manufacturers feel, upon the facts of past experience and present exigencies.

In their thinking about the problem,

different executives emphasize different facts, but most fundamental of all is their premise that the big distributor can't get along without nationally advertised goods. Chain store merchandising is based primarily on fast turnover, and only nationally advertised goods in which consumer confidence has been built over a considerable period of time can be moved at a rapid enough pace to insure the necessary low overhead.

It is admitted by these advertisers that some private brands have achieved a degree of consumer acceptance which places them on a par with nationally branded goods, and that on occasion a chain can, by high-pressure sales work, switch consumer allegiance from a well-known brand to a house label. But it is argued that there are well-defined limits beyond which a distributor cannot push private branding without prohibitive increase in his costs.

"Suppose X chain suddenly brought out a whole new line of X products—30 or 40 items," explained one manufacturer. "It would be an almost impossible job to establish all those products at once. The lack of variety in the line would in itself be sufficient to kill its chances with the housewife who likes Heinz ketchup, Van Camp's beans, and Campbell's soup."

"Price would be a strong appeal, sure—maybe there would be a differential of 30% or more. But if store clerks spend their whole day trying to shove X goods across the counter or if

Advertisers' Side

Like any argument, the threatening fight between big distributors and manufacturers, between private brands and nationally advertised products, has two sides to it. Having examined the protagonists' case, *Business Week* now focuses on the reasons why manufacturers feel secure in their confidence that no offensive of house label goods can dislodge the nationally known brand from its position of long standing popularity. And like the earlier reports, their story of why it can't happen here is told in the words of those most directly implicated—in this case, the big food and drug advertisers.

the chain puts a lot of money into advertising to build up a readier acceptance for its brands, their price advantage is going to be wiped out awfully fast."

As far as price is concerned, this advertiser feels that the times are with the national brand. Two or three cents, he points out, are not quite as important to the housewife as they were during the depression when private brands were blossoming all over the lot. And if it appears that the price differential might be a critical factor, advertisers can temporarily trim sails a little closer.

"And don't forget," he continued, "all the time we'll still be advertising in magazines, newspapers, radio, and the outdoor boards—perhaps doing more of it—and we'll match our advertising against their point-of-sale merchandising any day in the week."

"No, X chain can't get away with it—not on a full line of house brands anyway. It's been tried in the past and it never succeeded. A. & P. started out that way; so did the Acme stores which preceded the American chain in Philadelphia, but sooner or later they all come around to the national brands."

Cutting Each Others' Throats

"X chain might make some progress for a while, but if Y chain and Z chain and several voluntaries all try it at the same time, the housewife is going to be confused by such a multiplicity of new brand names and assailed by such a Babel of sales talk that she's going to quit shopping in the chains altogether and do all her buying down at the corner grocery where there's an independent merchant who handles only the advertised goods that she's known all her life. That's why any concerted private brand drive that the chains might start is doomed to failure; it has within itself the seeds of its own undoing."

It is tacitly recognized among manufacturers of nationally branded goods that there may be trouble ahead for a time. (The 20% and 30% increases recorded by a number of chains in the



FOLLOW THE SUN—A good slogan for winter tourists might be good for automotive shows, too, the Ford Motor Co. figures. And Miami visitors are invited to a gaily-decked exposition, where they can sit under the palms and watch the Fords go by. Walter Dorwin Teague designed the layout, which is set up in the heart of the city and which will be on display for three months.

Side threatening buyers and private advertisers to it. Havonists' case, uses on the buyers feel that no goods can own brand standing earlier re- it can't words of dicated—in and drug change.

Those who still stand by their original cancellation orders are relying on the Federal Trade Commission's action against the Great Atlantic & Pacific Tea Co. to alleviate somewhat the pressure for restoration of the old trade terms. FTC's complaint against the bellwether chain was a damning document, and A. & P.'s categorical denial of all charges this week has in no wise dissipated its sobering effect on the trade.

"Since June 19, when R-P went into effect," explained one executive, "we've been pointing out to chains that we simply couldn't afford to take a chance. It may well be that there is room in the law for the legal granting of advertising allowances based solely on 'services rendered'—possibly there is even room for quantity discounts, but we've got to wait for the courts to speak their piece, even though other smaller manufacturers don't. Any dubious action on our part would be sure to invite prompt attention from the FTC. And we have no wish to be embroiled in unnecessary litigation—litigation that would unjustly brand us as pro-chain in the eyes of 100,000 little independents who are our customers and prospects."

Courts Prescribe Cost Accounting

"It may even be that bigger discounts than those which we used to give could be justified under the law. The big distributors have shown us that Department of Commerce survey analyzing Western Electric's costs and showing that on orders averaging above \$100 there was an average profit of more than \$10, while on orders under \$25 there was a loss exceeding \$1.50. Admittedly, that's an impressive justification of quantity discounts. But until we know just what system of cost accounting the Supreme Court is going to approve—what is included in cost of manufacture, sale, and delivery—and until our own accountants complete a study of our own operating costs in the light of that interpretation, we can't put any new schedules into effect."

When this manufacturer and the others who remain adamant on the subject of discounts and allowances do make restorations, it is certain that they will not offer big distributors such liberal terms as they had prior to the passage of the R-P law. This for two reasons.

(1) The granting of such terms wouldn't be an expedient business policy. Throughout the entire controversy over the law and its application, manufacturers have been forced to maintain as impartial a position as possible. Most of the producers admit privately that they consider the law undesirable

and impractical of enforcement; the only price control legislation they have favored is an enactment to prevent below-cost sales. Publicly they have said nothing, because of the intense pressure for price control which has been exerted by a large and highly articulate section of their customers. That same pressure will serve as a vigorous policing agency of any sales contacts with big buyers in the future.

(2) Manufacturers will not restore the old concessions because they consider that the old terms constituted simply a refined extortion of exorbitant tribute. "I wouldn't mind paying chains for the sales push which I know they can put behind a product," exploded one manufacturer, "but I don't like to pay one chain \$100,000 and another \$50,000 and so on down the list just to get my product on their shelves. And that's about what we had to do before the R-P law.

Advertisers Pay the Freight

"I particularly resented paying those allowances to get my goods in their stores when they used that money just to cut prices on their competitive private brands. The sums they collected from national advertisers in allowances and discounts represented the sole difference between profit and loss for a good many of them during the depression. That meant some of us were digging down into surplus to pay them a profit."

"Up until the depression some manufacturers like us never paid the chains a nickel in advertising allowances. And in 1930 when the Federal Trade Commission made its investigation it found that buying advantages accounted for only 16% of the total margin by which chains undersold independents in the grocery field, and that margin was between 8% and 12%. In the drug field the price margin was bigger—about 16%—but only 8% of it was accounted for by the concessions chains got from manufacturers. In those days, the chains earned their allowances. We did a fair business then; so did the chains and so did the independents. And we all did an honest business."

"Now chains say that unless we continue paying big tribute they're going to go into private branding on a much bigger scale. Maybe they will. Maybe one or two distributors will build up one or two successful lines. It takes time, you know, to do that, and it's that time factor which plays into our hands, for sooner or later the chains are going to see that the old balance of trade with fair profits for everybody wasn't so bad. From now on they're going to realize that it's not shrewd chiselling at the buying end but hard work at the selling end that's going to pay dividends. And if they're as smart as I think they are, they'll find that the nationally advertised brand is still the best bet."

AMAZING NEW KIND OF RATE GUIDE Just! Out!



First Complete Shipping Reference in One Book

COMPARATIVE RATES AT A GLANCE

Every business executive will save his own time and his firm's money by frequent reference to this amazing new kind of shipping rate guide—just out! Indispensable to the traffic manager, valuable to the buyer and sales manager, "What's the cheapest way to ship?" Here you find out in one reference, instead of many. Comparative rates from hundreds of origin points to thousands of destinations. Includes: rail, truck, express, parcel post, air express, air freight, water, foreign parcel post.

Shipped to you ON APPROVAL

Bought separately, in many books, guides, tariffs, etc., the information contained in this one Guide would cost \$100, yet CO-ORDINATED RATE GUIDE costs only \$21 per year with supplementary and advisory services at no extra charge. Mail this coupon for free descriptive circular and APPROVAL offer.

CO-ORDINATED RATE GUIDE

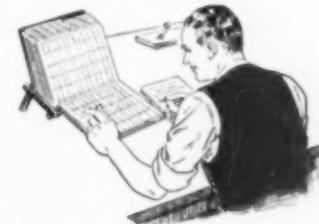
153 N. Mich. Ave., Chicago, Ill., U.S.A.

CONSOLIDATED GUIDE CORP., 153 N. Michigan Ave., Chicago, Ill. D-2

Please mail me free descriptive circular of the new CO-ORDINATED RATE GUIDE and full particulars of your APPROVAL offer. This request places me under no obligation.

Name _____ Address _____ City _____ State _____

DON'T STOP TO FIGURE —JUST TIP THE CARD AND COPY!



Meilicke Calculators Have All the Answers

Here is the quickest way to make accurate calculations ever devised. No keys to punch! No lever to pull! No mental arithmetic required. Any employee can use Meilicke Calculators without special training. The Meilicke line includes:

SSA Payroll Calculators	Interest Calculators
Dictiform for Letters	Payroll Calculators
Yard Goods Calculators	Freight Calculators
Unit Basis Calculators	Lumber Calculators
Electric Bill Extenders	Coal Calculators
Discount Calculators	Price Checkers
Phone Indexes	

TEN DAYS FREE TRIAL — WRITE TODAY

The increased speed and accuracy which result from just 10 days use of a Meilicke Calculator will prove the advantages of Meilicke Systems for your business. Write today for a free test.

Meilicke Systems, Inc.

3470 North Clark St., Chicago, Ill.

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Your verbal instructions go Right into Action!

DICTAPHONE puts verbal instructions beyond alibi from anyone. Your words are recorded for typing while you speak them into your telephone or across your desk. Never in the history of this modern dictating machine have so many busy executives shown their appreciation of advantages like this.

Advantages the non-user doesn't even suspect. Shortcuts, time-cuts, work-cuts, cost-cuts that make the whole day go smoother, the whole job go better. You'll have fewer conferences, for in-

stance, with Dictaphone at hand—and those will be briefer and more to the point.

Before you go home at night, you'll put last-minute follow ups on the record and off your mind. In the morning you go into action without waiting for anyone. Your secretary's whole day is one of accomplishment and not of waiting beside your desk.

In short, speeding of correspondence is only Chapter I in the story of what the Dictaphone now means to modern business. We'd like to tell you the rest of it.

THE TREND TO DICTAPHONE SWEEPS ON

T. H. Cummings, Gen. Agent
National Life Insurance Co.
Cleveland, Ohio

E. F. Guth, President
The Edwin F. Guth Company
St. Louis, Mo.

D. K. Campbell, Vice Pres.
Lowe & Campbell Athletic Goods Co.
Kansas City, Mo.

"TWO SALESMEN IN SEARCH OF AN ORDER"

Have you seen it yet? It's the talking movie that's packing business men in. It's full of real ideas. Your secretary will like it, too! Mail the coupon and tell us when you can best spare 30 minutes to see it. Mail it now—especially if you're "too busy!"

Dictaphone Sales Corporation
420 Lexington Avenue, New York, N. Y.
In Canada—137 Wellington St., West, Toronto

Please let me know when "Two Salesmen in Search of an Order" will be exhibited in my city.
 I want to see your representative.

Name _____

Company _____

Address _____

BW-2

The word DICTAPHONE is the Registered Trade-Mark of Dictaphone Corporation, Makers of Dictating Machines and Accessories to which said Trade-Mark is Applied.

Win "Interest" Fight

Banks defeat Reserve Board attempt to make them charge depositors for services.

INTEREST this week was still *zinger*—something a borrower pays for the use of money. The Federal Reserve Board can't get away from that. In fact the board has capitulated to the banks on its vaunted and ambiguous Regulation Q, which defined interest as anything of value, including services involving out-of-pocket expenses (BW—Feb. 3, p. 37). For business this is a boon.

Now, when a bank receives a deposit (that is, borrows money from a depositor), interest is cash only. Or if it can be shown definitely that the bank is making certain concessions which are equivalent to cash (something which will be extremely hard to do). In the case of Federal Reserve member banks, the Reserve will fight it out with the banks to determine whether interest is paid; in the case of other banks that are members of the Federal Deposit Insurance Corp., the FDIC will serve as a court of final definition, à la Noah Webster.

Change of Front

The change of front came when protests to Congress overwhelmed senators and representatives and they made representations to the Reserve Board. Thereupon the definition of interest in Regulation Q, under which the use of a bank's doormat for wiping the feet might be stretched to mean "interest," was done away with. Result is a minor victory over the Reserve Board.

The big issue was collections. Should banks be required to charge depositors for that service? The Reserve apparently thought yes; the banks most emphatically thought no. And now it's settled in very vague terms. It's up to the supervising agencies to determine what is and is not interest—after the fact, not before.

For business men, the new ruling is beneficial. Under the abandoned definition, companies might be frequently charged for out-of-town collections or other services, which they had regarded as matter-of-course functions of banks. Now, they don't have to worry.

They Raise Shoe Prices

WHOLESALE price advances in shoes, ranging from 5¢ to 25¢ a pair, have been posted by leading manufacturers to offset partially the sharp rise in cost of hides over the last year. This follows a period of small, experimental price rises. Led by International Shoe, the companies point out that light native cow hides for sole leather rose from 10½¢ a lb. to 14½¢ and that other

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grades also recently averaged about 4¢
above 1936 lows.
The current mark-up, the manufacturers declare, does not fully compensate for rising hide and leather costs, and further increases will be necessitated if the market trend continues upward. Late last week, however, there were sales of light native cowhides at 13½¢.

Ward's Best Year

Mail-order house boosted its sales by \$70,000,000 in fiscal year ending in January.

OFFICIALS of Montgomery Ward & Co., Chicago mail order house, after revealing that sales in the fiscal year ended Jan. 31 again hit an all-time high, last week dug back into their records at the request of *Business Week* to answer the question, "When did the depression end for you?"

The answer was: In May of 1933, when sales leaped to \$15,102,788, compared with \$14,172,158 in May of 1932, an increase of 6.57%. Sales in May of 1932 had been 23.59% less than in May of 1931.

In May of 1933, with Sewell Avery, noted Doctor to Sick Businesses, pressing the buttons that made Ward step, sales began a climb that has continued month by month with only one interruption—in February of 1936, when sales dropped 0.28% under sales in February of 1935.

For the year ended Jan. 31, last, the best in the company's history, sales skyrocketed to \$376,944,690, compared with \$306,101,505 in the year ended Jan. 31, 1936, an increase of \$70,843,185, or 23.14%.

In January of 1937, the last month of the fiscal year, sales mounted to \$22,578,088, against \$18,508,149 in January of 1936, a jump of \$4,069,937, or 21.99%.

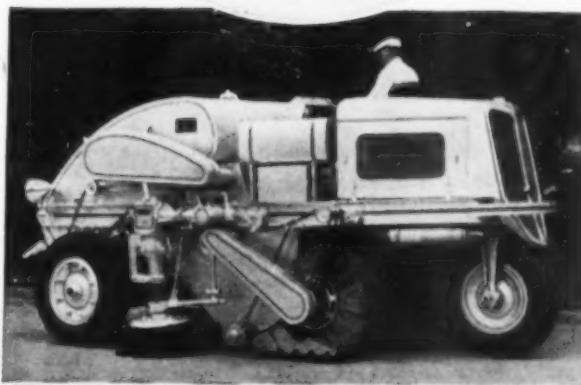
Ward's new spring catalogue (BW—Jan 16 '37, p34) has brought the company more newspaper and magazine publicity than any catalogue within recent years. This was chiefly due to three factors: first, the catalogue "follows the sun" (for the first time, the catalogue for the Fort Worth territory is out first, to be followed by other areas as spring moves north); secondly, the beauty of the new catalogue, with its magazine format and typography, its many pages of rotogravure, its handsome illustrations; thirdly, the reduction of the minimum order that may be purchased on the company's instalment plan from \$20 to \$10.

Farm implements and equipment sold by Ward's, mostly horse-drawn, come from the Oliver Farm Equipment Co. Oliver's first sale to Ward's amounted to \$600,000.



Above—Joy snow loader
at work — Baldwin-
Duckworth equipped.

Below—New streamlined
Elgin street sweeper—
Baldwin—Duckworth
equipped.



SUMMER —it's Roller Chain

July heat and January snows offer city street departments diverse problems. But neither frozen snow and ice or dust and water from dirty streets bother Baldwin-Duckworth roller chain.

Baldwin-Duckworth precision machining and selective heat treatment produce a roller chain that will adequately and economically handle any power transmission or conveying problem. Baldwin-Duckworth Chain Corporation, Springfield, Mass. Distributors in all principal cities.

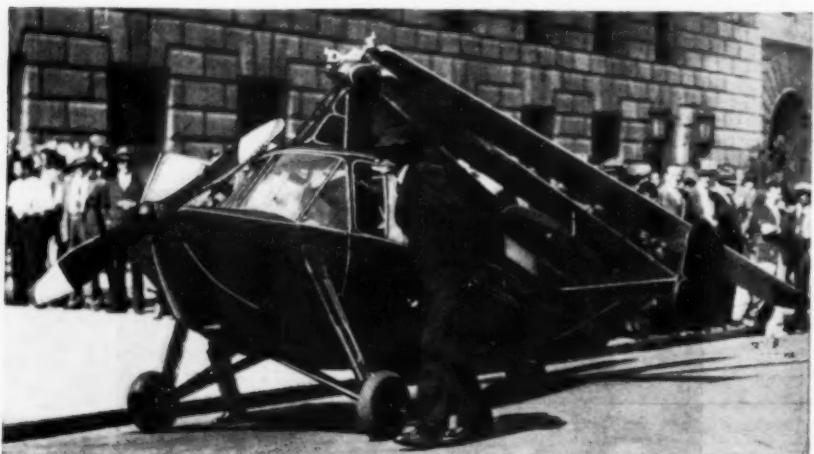
BALDWIN-DUCKWORTH

Road-Riding Plane Is Nearer

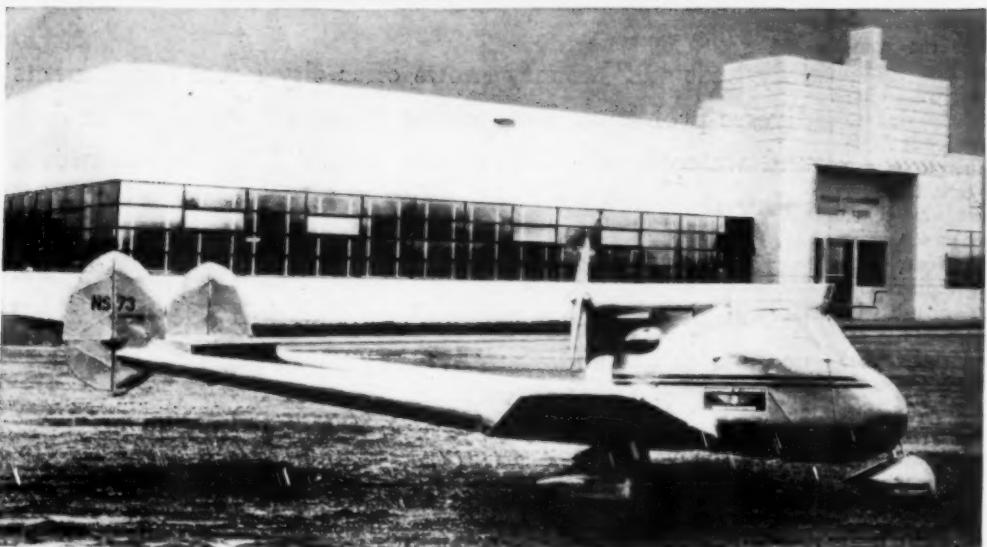
Aviation industry works hard to meet federal specifications for land-and-air machine. Autogiro that can run along highway is now offered.

THE air-minded business executive who could use a light, "personal" airplane, almost foolproof, economical in cost and operation, able perhaps to fold its wings and run along the highway, will have to wait a bit longer before he can go out and shop for one. But the dream is a lot nearer realization.

Two and a half years have elapsed since the Department of Commerce issued specifications for light, inexpensive planes which, if all went well, might allow the aviation industry to parallel the rapid growth and expansion of automobile factories. The first stipulations broadcast during the sum-



Aviation photos



SAFER, CHEAPER—Airplane manufacturers are getting nearer to the goal of fool-proof operation, inexpensive upkeep, and low-cost purchase price, aimed at for years and believed to be the key to a mass market. Three models which have received much attention are pictured here. At top, the Roadable Autogiro which can scoot along the highway to the office, after landing. Center, the Campbell Monocoupe, one of the models returning to earlier-day concepts of landing and using a nose-wheel. Below, the Stearman-Hammond, which steers like an automobile, flies at a little over 100 m.p.h., and lands without injury to passengers even if a tyro slams it to the ground.

mer of 1934 received wide attention—too much, some leaders in the industry thought. People got the idea that a "\$700 foolproof airplane" was just around the corner. And sales of planes which cost a lot more than \$700, yet still were the most inexpensive possible to build, may have suffered.

Various manufacturers began to draw up plans, however, and to build experimental models for testing by the Bureau of Air Commerce. Within a year five or six had been tried out. Among them were the Weick (which landed and took off in a 90 deg. crosswind without use of rudder), the Waterman "Arrowplane" (a tailless model with propeller behind the pilot), the Hammond "Y" (with controls which operated like an automobile's), the Fahlin "Plymacoupe" (using a converted Plymouth engine), and the "Arrow" (which used a Ford V-8 engine).

Obviously, the aviation industry was interested in trying for the blue ribbon of light-plane supremacy. Just how the interest was divided, and what results were expected, remained for *Aviation* to discover with its questionnaire a year ago. The editors asked manufacturers, fixed-base operators, private owners and pilots, and state aviation officials, just what they thought of the whole program. The consensus was revealing.

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attention—the industry that a \$700 just around planes which yet still were able to build, began to draw to build exciting by the. Within a man tried out a stick (which 90 deg. cross-ladder), the (a tailless and the pilot), controls which (pilot's), the being a con- and the Ar- (8 engine) industry was blue ribbon just how the that results Aviation a year manufacturers, owners and officials, just whole pro- revealing. said a ma-

tony of replies to *Aviation*, was harmful to sales. The Department of Commerce and its Air Commerce Bureau should concentrate on making flying easier, not put cheapness first. Three-wheeled landing gears with nose wheels looked like winners; aircraft for highways got second place among the most interesting developments.

Safety First

In the light of this questionnaire, present status of experimental planes should get general commendation. As 1937 begins, the \$700 price-tag has dropped almost out of sight. Easier, safer flying marks the planes being tried out. And the Roadable Autogiro, delivered recently to the Bureau at Washington for tests, can fold its rotors and take its place in highway traffic.

The new Autogiro, and the revised Hammond (now known as the Stearman-Hammond since Lloyd Stearman helped modify it after Bureau suggestions) typify the advances to date in the two branches of the search for the average man's air buggy. Stearman-Hammond has a new plant in San Francisco and plans to build eight or ten planes a month, beginning this spring. They'll sell for about \$5,500, and it is claimed that a novice can learn to fly them safely in one lesson.

To meet the problem of relative inaccessibility of airports, the Roadable Autogiro is offered. With its engine back of the cockpit, and two drive shafts, one forward and one back, the operator can turn his power from propeller to rear wheel, steer with the front wheels, go home by road.

And the business man who wants quick contact with district offices, and customers, or wants his salesmen to enlarge their territories, may be assured that the problem is nearer solution.

Small Loans: Who, Why

WHO is the small loan borrower and where does the money go? Household Finance Corp. has just analyzed its 1936 business, finding that the average loan is \$164. Of its 614,737 borrowers, 39.63% were skilled and semi-skilled workmen while 19.10% were office and clerical help. More than 17% sought personal loans to pay off medical, dental, and hospital bills; 9.86% to buy clothing, and 9.12% to consolidate overdue bills. Of the 614,737 borrowers, 217,587 earn from \$1,200 to \$1,800 a year.

Northwestern National Life Insurance Co. has just surveyed personal loans of banks in 16 cities. These loans range, on the average, from \$200 to \$350. Less than 1% go sour. The largest number are made to consolidate overdue bills, second group to pay doctors and hospitals, and third to meet unexpected emergencies.

England is supposed to be less magazine conscious than America...



THE UNITED STATES has a population of 128,000,000*. The "Saturday Evening Post" has 2,700,000 circulation†. It reaches approximately one family in every ten.



ENGLAND has a population of 46,000,000. The "Radio Times" has 2,800,000 circulation. It reaches approximately one family in every four.

yet here is an English magazine giving you *three times the coverage of the Saturday Evening Post*

Make sure you have the "Radio Times" on your list

ON SEPTEMBER 28TH, 1923, the British Broadcasting Corporation issued the first number of the "Radio Times." It was an instant success.

Today, after thirteen years of steady increase, the "Radio Times," selling at two pence a copy, has a guaranteed average circulation of 2,800,000 copies per week.

What is the reason for this success? The "Radio Times" satisfies a real need. Published by the British Broadcasting Corporation—which controls every radio station in Great Britain—the "Radio Times" is the

* 1936 estimate Bureau of the Census † Rate base

only publication allowed to print the full details of the entire week's radio programme *in advance*. This means that every issue of the "Radio Times" is read day by day for a whole week.

And who reads the "Radio Times"? People who have money to spend. *Actually more than 1,000,000 families with incomes over £4 a week take the "Radio Times" every Friday.* This is more than any other publication in Great Britain.

If you are selling in the British market, then you should be advertising in the "Radio Times." Write for full information to: The Advertisement Director, British Broadcasting Corporation, Broadcasting House, Portland Place, W.1, London, England.

RADIO TIMES

Guaranteed average net weekly sales

2,800,000



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Beyond your Salesman's reach !

*But he'll listen to YOU
—through Business Week!*

Only in small concerns is Business Buying a one-man job. Getting today's order involves several groups of men. For example:

One group of subordinates may advance the first suggestion that leads to a purchase. *They* are important. Another group may submit specifications or add recommendations. *They* are important. But the third man — or group of men — is *all-important*. They are the key men who make the final decision, the influential executives on whose word every sale depends. If you've got something to say to these men, say it where they'll *hear* it — in the pages of Business Week!

These Men Seldom See Salesmen

These key executives are usually beyond the reach of your salesmen — even your best men. They haven't the time. And they require a separate selling approach. Subordinates are interested in details of performance, but the executive, 9 times out of 10, bases his decision on the answers to just two questions: "How will this product help my company make or save money? And is the supplier reliable?" The appeal that sells the help may not sell the boss.

Business Week gives you this audience

You can tell *your* story to this all-important group of purchasers — nearly 100,000 of them, every week. For they subscribe to, and read, Business Week. Surveys reveal a "pass-along" office circulation of 3 to 4 executives per copy — a weekly audience of 350,000 for your sales story!

Business Week is strictly *their* paper. It is the best-read paper of the Important Men in American business and industry . . . the men who must watch the broad movements, yet need the immediate developments. *They* depend on it. If you've got something you'd like to sell them — put it in writing. In the pages of Business Week!

ADVERTISING LEADERSHIP

Recognition of Business Week's ability to sell executives has made it the outstanding leader in advertising gains.

1933	435 pages
1934	610 pages
1935	752 pages
1936	1128 pages

(50% Gain for the Year)

BUSINESS

THE EXECUTIVE'S BUSINESS PAPER
ALERT...ACCURATE...AUTHORITATIVE



WEEK

330 W. 42nd STREET
NEW YORK, N. Y.

PERMANENT EYE APPEAL



Here's the newest in spectacle cases—sleek, smooth, light and compact. No pasted cover to wear loose. Molded of Durez for Bausch & Lomb, it's striking, thoroughly modern.

Like all Durez containers, the sparkling lustre is not an applied finish . . . the surface is Durez itself. It lasts the life of the product, cannot rust, stain or peel.

BEAUTY THAT PAYS DIVIDENDS



Telechron takes advantage of Durez' almost unlimited design possibilities and creates a really distinctive case for their newest direct reading clock. Sleek and modern in design, far smarter in appearance than older clock cases, it's a real sales asset. And the Durez case has other advantages. It's strong, light in weight, self-insulating, will never warp, peel or chip.

DUREZ is a hot-molded plastic, simultaneously formed and finished in steel dies. **STRONG . . . LIGHTER THAN ANY METAL . . . HEAT-RESISTANT . . . CHEMICALLY INERT . . . SELF-INSULATING . . . WEAR-PROOF FINISH.**

Why not let Durez bring these same advantages to your product? For further information and a copy of free monthly "Durez News" write General Plastics, Inc., 112 E Walck Road, North Tonawanda, N.Y.

GENERAL PLASTICS'
DUREZ

New Products—New processes, new designs; new applications of old materials and ideas.

WHERE pipe-line gas is unavailable or where 800 B.t.u. gas is desirable for specific heating demands, there will be found a place for the "Thermolene Gas Unit" with capacity of 300 cu.ft. per hour. A patented five-stage turbine, powered by a fractional-h.p. electric motor, blows air through inexpensive Thermolene distillate, thence through an aluminum chloride solution, producing a dry non-toxic gas. Unit occupies 11x18 in. floor space. Should shipments of special Thermolene be held up for any cause, the corner gas station can provide an emergency charge. Thermolene Corp., 17 E. 42nd St., New York, will begin deliveries in about 90 days.

DIFFICULTIES inherent in the inside-silvering of electric lamps have recently been licked by the man who licked the problem of freezing foods quickly enough to preserve flavor. His new organization, Birdseye Electric Co., 100 E. 42nd St., New York, is proceeding with distribution of four styles: No. 1, with bowl silvered for indirect illumination; No. 2, with sides silvered for direct illumination; No. 3, with sides silvered in a spiral to give direct illumination and yet to permit 5% light leakage between spirals, giving fixture a pleasant glow; No. 4, with sides silvered and the open portion sprayed with a blue material which gives color correction. No. 2 comes with standard base or with swivel base designed to permit quick focusing.

MANY a manufacturer has found that a good level-transit will pay for itself many times over in power saved through precisely leveled shafting, accurately placed machinery, leveled floors, and the like. David White Co., 315 W. Court St., Milwaukee, has redesigned its "Universal Level-Transit" with both eyes open to this class of service. Instrument may be changed from level to transit position with a simple flip of two levers. Maker claims that a non-technical man may learn all necessary operations in one hour's study of a simplified instruction book.

TAKING his cue undoubtedly from a flashing hand mirror in the hands of a mischievous youngster, the designer of the "Benjamin Beam Director" has tamed the fundamental idea for business uses. In this simple, adjustable, auxiliary projector now in production at Benjamin Electric Mfg. Co., Des Plaines, Ill., "Alzak" aluminum replaces looking glass. Attached inside the skirt

of a dome reflector, the unit will add 10 to 15 footcandles more illumination over areas 30 to 36 in. diameter on hard-to-light machines or workbenches.

PUBLIC announcement is about to be made by Kirby Mfg. Co., Decatur, Ill., on its new portable coal stoker of the overfeed type. As easily moved as a washing machine, the stoker is pushed



Business Week

to the coal bin for a 24-hr. charge of coal and returned to the open furnace door. An electrically operated centrifugal plate with adjustable lugs throws coal evenly over the entire grate area. If power goes off, heating plant may be fired by hand.

PLASTIC moldings grow larger and larger as demands grow, and molding facilities keep pace with them. General Electric, Bridgeport, Conn., goes into production on a "Textolite" housing, for Western Union's telegraphic teleprinter, 14x15x10 in. in size. Associated Attleboro Manufacturers, Inc., Attleboro, Mass., molds a "Bakelite" table-radio housing, 18x13x10 in. for Pilot Radio Corp., Long Island City, N.Y.

IN luminous architecture, which makes its first public bow in glowing colored store fronts, architects demand high structural strength combined with uniform translucency and with colors that are affected to a minimum by solarization. Libbey-Owens-Ford Glass Co., Toledo, begins production of 3-in. flat "Enamored Tuf-Flex" in a wide variety of colors. Uniformly translucent colored glass is fused into one surface of the basic sheet. Being three to seven times as strong as ordinary glass, the new material should meet structural requirements. Being highly resistant to thermal shock, it should be immune to damage from the heat of lights hidden on the inside, and from sudden chilling storms on the outside.



Schrage

Food Bill Gains a Bit

Senate committee favors it, with amendments; but Trade Commission may cause fight.

TACKING along its course to eventual enactment, the battered Food and Drug bill this week ran before the wind to gain one full leg on its course. The wind was Sen. Bailey of North Carolina; the bill's advance came with the Senate Commerce Committee's action in reporting out S.5—with amendments.

When the committee met on Friday of last week, agreement to dispense with public hearings was general, for in the four-year record of testimony every possible point of view had already been given full expression, and the Senate committee's suggestion that joint hearings might expedite consideration of the two present measures had been rebuffed by the House Commerce Committee.

Multiple Seizures

Sen. Copeland's new 1937 streamlined model was generally acceptable to the committee except in one major particular—multiple seizures. Arguing that the new grant of injunctive power to restrain false advertising would permit such swift enforcement action that power to make multiple seizures would no longer be necessary, Sen. Bailey held out for restoration of his last year's amendment. This prohibits seizures on misbranding charges except in those cases where the misbranding or false advertising of directions for use can be shown to be "imminently dangerous to health" or where there is a record of previous conviction on similar charges. Sen. Bailey won, and with one or two other amendments of less importance, the bill was reported out.

S.5 as it now stands is generally satisfactory to trade and consumer interests, though the latter group is still disturbed about the Bailey amendment and inclined to wonder whether the grant of injunctive power to restrain false advertising is a blessing or a

curse. It is admitted that this enforcement technique will permit more rapid action, but the substitution of injunctions for civil suits strips the bill of any penalties for false advertising.

Interest now centers on probable House action which may take any of several courses. Rep. Clarence F. Lea, who succeeds Sam Rayburn as head of the House Interstate and Foreign Commerce Committee, has indicated that hearings will be held on the Chapman bill (H.R.300) before the full committee at an early date. But fast action by the Senate on the Copeland bill—a most unlikely possibility in view of the fight over the Supreme Court and the reorganization program generally—might shift the focus of House attention. It is pointed out that if the House were to take S.5 rather than H.R.300 as its basis of action, the ultimate work of a conference committee would be materially expedited.

Under any circumstances, it seems that that committee is going to have a tough job, for it will be faced with necessity for reconciling differences of opinion over the question what agency shall administer the advertising provisions of the law. S.5 gives that power to the Food & Drug Administration. So does H.R.300. But Rep. Lea's action in taking the bill out of the hands of last year's Chapman subcommittee (which was partial to the F&DA) and placing it before the full committee is regarded as indicating a bias in favor of the FTC.

FTC or F&DA?

Whether in committee or on the floor, FTC is certain to make a strong play in the House for regulatory authority, and the bill is likely to come up for the third act with the House and Senate hopelessly split on the issue. Then it will probably be up to the President to choose between F&DA and FTC, between the Senate and the House, and although he has thus far indicated no disposition on the bill, other than to say he was for it, betting is that the President will pick F&DA.

KNIFE CUTS SOUND—In usual method of recording sound on film, electric eye exposes sound track on sensitized photographic film for later chemical development. Short Wave Station, PCJ, Eindhoven, Netherlands, eliminates chemical development by cutting sound track in film emulsion with special knife directly actuated by electric eye.

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Our guarantee makes it safe to market your product or process or we will pay the litigation expenses of your own counsel and any decree, judgment or award that may result—against you and your customers.

Manufacturers, business men, distributors and attorneys are cordially invited to write for descriptive material of our service.

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Here's the Picture . . .

The Modern Steel Sheet Strip Mill
\$7,000,000 invested capital
Idle Time costs—\$5,000 an hour

Successful continuous operation depends on dependable functioning of circuit breakers. If anything happens, it is a five to six hour job to get the mill back in operation.

Mallory Elkonite is the only metal that insures dependable continuous operation of circuit breaker contacts. Small wonder Industry depends so much on Mallory products for real service at the heart of things.

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**PARTS FOR RADIO, ELECTRICAL,
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330 W. 42d St., N. Y. C.

HAS YOUR PRODUCT A GOOD Business Head?



Some products—such as elevators, trucks, machine tools, bank vaults, business machines—can count, make records of their performance. Some—like amusement machines—never forget a coin. Others—like gasoline pumps—can even calculate in dollars and cents.

The mechanical brains that give these products special advantages—allow them to sell themselves—are built-in Veeder-Root counting devices. These counters can record operations, starts, stops, pieces, trips, mileage, volume, speeds, lengths—provide accurate, fair methods of measuring work and wages.

Investigate Veeder-Root counting devices for your product. Write.

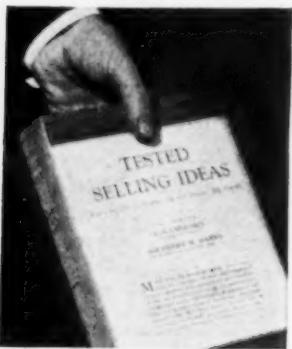
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How many of these
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can you profitably use
in this next year?

Suppose you could bring your company two really important new selling ideas in this next year? How much would it advance your prestige—how much would it add to your earning power? What are you doing right now to get those two new sales ideas that would help you so greatly?

Why not stop a minute and really consider the possibilities to you of a sales idea source book like this volume just published out of the files of Printers' Ink and Printers' Ink Monthly?

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A Million For Eggs

That's what government is spending to counteract effects of warm winter on hens.

THE egg surplus is piling up, federal buying to support prices has been accelerated, and relief for the flood victims has provided an outlet for government purchases. Before this month is over it is predicted that the Department of Agriculture will have spent \$1,000,000 trying to restore the bottom which fell out of the egg market in December.

Responsible for the chicken farmers' falling-price dilemma are misguided hens. These hens were beguiled by mild December and January weather into working overtime—they increased the available supply of henfruit at a time when storage stocks normally are drawn upon. There are about 41% more egg producers in farm flocks now than a year ago; early in January they were laying 22% more eggs.

Reducing the Swings

Meanwhile, government buying (largely in Eastern markets) hasn't done much but cushion the fall in prices. Nevertheless, Sec. Wallace explains the plan much as follows: By stemming the decline, the poultry farmer is helped. This isn't a direct benefit to consumers, but the consumer is helped indirectly—poultry farmers don't send chickens to the butcher, thereby reducing flocks to the point where eggs will go sky-high next season. "Everyone loses in the long run by excessive price fluctuations," says the secretary.

The present situation has manifold ramifications. Poultry prices have slumped from 87% of the 1923-27 average a year ago to 68%, discouraging marketing of chickens for meat. Holding the chickens in flocks increases egg output. Increased egg output smashes prices. Smashing prices discourages raising of baby chicks, leaving still more table eggs available. Meanwhile, the cost of feeding poultry has soared in a year from 69% of the 1923-27 average to 111%. Leaving poultrymen far out on a slippery limb.

Popular Annual Report

ANNUAL reports scarcely rank with best sellers in the book business. There's no demand for second printings. That is, there wasn't until the Food Machinery Corp. of San Jose, Calif., set out this year to produce an annual statement to stockholders that would compel their interest and make each of them a salesman for the company's products. Demands for extra copies from stockholders and executives of other firms soon exhausted the supply and a second

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lays in preparing products for market.

Engineers' Pow-wow

Technical problems discussed
in 200 papers at mining and
metallurgical meeting.

Two hundred technical papers drew
in times that many members from all
arts of the world to the midwinter
eting of American Institute of Min-
ing and Metallurgical Engineers, at the
Engineering Societies Building, New
York, Feb. 15 to 19. Subjects ranged
from aviation in mining and prospect-
ing to mineral economics, to health
and safety, to milling methods, to coal
and oil, to geology and geophysics.

Attending members ranged from
most-bitten aviator-engineer-prospectors
from Canada to staid and stolid office
and laboratory consultants, to sun-
baked petroleum engineers from
Burma, to wide-eyed student engi-
neers attracted by an "experience meet-
ing" wherein six past presidents of the
institute undertook the difficult privi-
lege of answering students' questions
relative to their forthcoming profes-
sions and careers.

Of broad human significance was a
paper entitled, "Use of Sound Waves
in Settling Smelter Smoke," for it is
rumored that high-frequency sound
waves, some of them beyond the range
of human hearing, may also be found
useful in settling wartime smoke
screens and in dispelling fogs over air-
ports.

Of deep significance to those who are
dependent upon the iron and steel in-
dustry was a report on progress in
mastering low grade hematite ores, thus
converting them to magnetite and ren-
dering them subject to magnetic bene-
ficiation. Of plain human interest was
a session devoted to "tall stories" of
mining experiences in the "back of
beyond"—and all certified as true.

Engineers, who will undoubtedly be
called on for expert testimony before
legislative committees, discussed the
various problems relating to petroleum;
others delved into mineral economics;
and one was so bold as to forecast the
usage of various mineral products over
the next two decades.

NOW IS THE TIME FOR ALL GOOD MEN TO

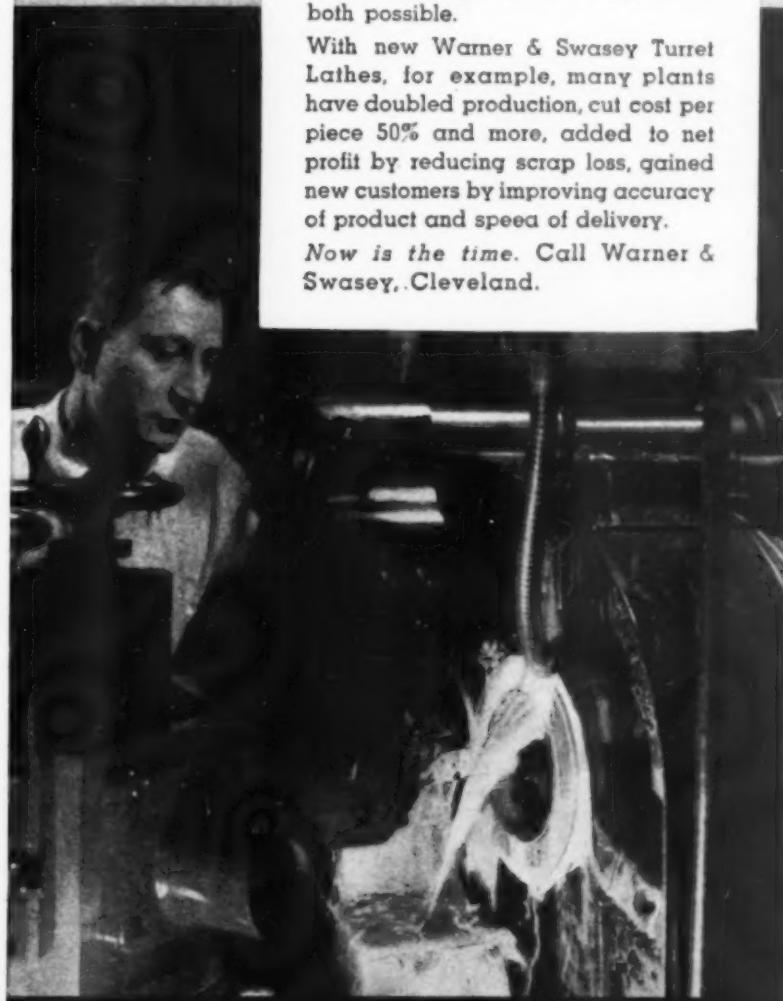
Come to the Aid of Their Plants

CAPACITY production days once
more! It's high tide!

Are you getting your share of this new
business and getting it at a profit?
Modern equipment will help make
both possible.

With new Warner & Swasey Turret
Lathes, for example, many plants
have doubled production, cut cost per
piece 50% and more, added to net
profit by reducing scrap loss, gained
new customers by improving accuracy
of product and speed of delivery.

Now is the time. Call Warner &
Swasey, Cleveland.



WARNER & SWASEY

Turret Lathes

Cleveland

Those Nine Men Hear Wagner Case

Supreme Court justices, apparently unruffled by Roosevelt's packing plan, ask occasional question as lawyers argue Constitutionality of labor law.

WASHINGTON (Business Week Bureau) —The right of a business man to run his own business, to hire and fire as he sees fit without interference by the government on behalf of his employees, is the issue submitted to the Supreme Court last week in a series of test cases under the Wagner Labor Relations Act. Combined with President Roosevelt's demand for power to pack the court, it presents a crisis in Constitutional government.

But were the nine supreme justices in a dither? Not so you could notice it. Whatever they think about the President's attempt to bend the judiciary to his will is wrapped in Constitutional silence. The importance of the Wagner Act cases was recognized by the court, however, in allowing counsel 18 hours of argument. When the lawyers talked themselves out two days later, they had used only 13 hours.

Against the Government

The Associated Press covered its own story, written, needless to say, by a non-member of the American Newspaper Guild. John W. Davis, Liberty Leaguer, argued that the A.P. is not engaged in interstate commerce but simply "in communication with itself" and that the law menaces the freedom

of the press. The Virginian Railway contended that the law is not applicable to its "back shop" employees. The Washington, Virginia & Maryland Coach Co. admitted that it operates in interstate commerce but argued that it was not the intent of Congress to regulate the internal affairs of a little bus company if it couldn't reach the myriad of manufacturing concerns at which the law is aimed.

And then at 3:05 p. m. Chief Justice Hughes called No. 419, National Labor Relations Board vs. Jones & Laughlin Steel Corp. On the court's decision in this case hangs the authority of the federal government, as asserted by the Wagner Act, to punish any manufacturer for refusal to bargain collectively with his employees, for interference with their rights to self-organization, and for otherwise discriminating against them. Most business men will be satisfied with defining the law as an attempt to force the closed shop upon all industry.

That, however, is not the position of J. Warren Madden, 47-year-old expert on the law of domestic relations and chairman of NLRB, who opened the argument for the government. Prof. Madden is on leave from the University of Pittsburgh, The J. & L.

company's home town. The nine justices listened with negligent composure at various angles in their high leather chairs. The dome of Justice McReynolds was just visible above the molding of the bench as viewed from an uncomfortable vantage point provided by the drugstore variety of bentwood chair, sandwiched in with others between the high marble columns that enclose the chamber.

Clocking the Justices

Justice Sutherland asked a question at 3:19; again at 3:41. Justice Roberts left the bench at 3:21. He returned at 3:23. A typewritten note handed by a page to Justice Cardozo, at left end, passed from hand to hand. Each justice cocked his spectacles, smiled, exchanged a word or two with his neighbor. It was news that the House had just passed the Sumners bill giving them the voluntary privilege of retiring at 70 on full pay (\$20,000) after 10 years' service. Prof. Madden sat down at 3:55. Stanley Reed, the solicitor general, who has since been revealed by the President as co-author with Attorney-General Cummings of the bill to pack the court, picked up the argument. At 4:30 Reed was interrupted at a comma by adjournment. In one hour, 25 minutes, what had happened?

Madden had sought to show that the Wagner Act was valid because the Jones & Laughlin plant at Aliquippa, Pa., was situated in the stream of commerce, drawing its ore, coal, and limestone from properties owned in other

The government's argument is that the burden of the bill is on the industrial. Counsel for the steel strike coal strike off to a low employees, then: 1931 1932 1933 1934 1935 1936 1937 1938 1939 1940 1941 1942 1943 1944 1945 1946 (6 more) In a strike, the Deal Law, the right, which is on Wagner Act, a majority, "afforded with Justice Solicitor C primary effi mill, if it, the mine?

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SHADOWS ON THE ROCK—Because of their decisions on New Deal measures, the shadow of Presidential disfavor falls on six of the nine justices, leaves in the clear only the three unshadowed in this picture—Brandeis (seated left), Stone and Cardozo (standing right). Yet if the President's plan to pack the court is carried out, one of these three whom the White

House certifies as "liberal" will have what Sen. Glass calls a "wet nurse," for Justice Brandeis is 10 years past the Presidential limit of 70, oldest member of the bench. The assembled justices are: seated—Brandeis,* Van Devanter,* Hughes,* McReynolds,* and Sutherland;* standing—Roberts, Butler,* Stone, and Cardozo. Those whose names carry the asterisk are all over 70.

Strikes—and Law

The government's defense of the National Labor Relations Act rests on the argument that strikes thrust a burden upon interstate commerce and, therefore, a law intended to prevent industrial strikes is Constitutional. Counsel for the government went to great pains to compile a record of strikes and their widespread effects in the past 20 years. High-lighted by the steel strike in 1919-20, textile and coal strikes in 1922, strikes tapered off to a low of 653, involving 158,114 employees, in 1930. The record since then:

Disputes	Employees Involved
1931	894 279,299
1932	808 242,826
1933	1,562 812,157
1934	1,856 1,466,695
1935	2,014 1,117,213
1936 (6 months)	952 362,154

In a surprising number of these strikes, the men, according to New Deal Lawyer Reed, were simply seeking the right of collective bargaining, which is one of the guarantees of the Wagner Act. The question is whether a majority of the court will accept this as "affecting commerce" or agree with Justice Sutherland who asked Solicitor General Reed: What is the primary effect of a strike in a steel mill, if it is not to curtail production, the same as a strike in a coal mine?

states, and shipping its products to destinations in still other states. The Wagner Act, he argued, stands where the National Industrial Recovery Act and the Guffey Coal Act fell because, in the Schechter case, the flow of goods had ceased, and in the Carter coal case, the flow had not yet begun. But Madden's argument was shredded by Justice Sutherland's question whether the 10 employees discharged by J. & L. were in the manufacturing or transportation branches of the company's operation.

Reed for the New Deal

Pointing out that the object of the Wagner Act is to prevent labor disputes "in commerce, or burdening or obstructing commerce or the free flow of commerce," Solicitor Reed, *auditeur honoraire* of the University of Paris and the New Deal's most prominent practicing attorney, argued that the control power of Congress in labor controversies had been upheld by the court in the Coronado case, in an anti-strike injunction under the Sherman Act against United Mine Workers.

On the question how the firing of 10 men by a company employing 22,000 could be construed as interference with interstate commerce, Reed argued that when labor trouble starts there is no telling where it will end. While the court has denied that Congress has the power to regulate wages and hours, Reed contended that the Wagner Act is merely directed to giving employees the right to their own organization and to collective bargaining. He sought to

persuade the court that if this is in violation of due process, the law nevertheless has sufficient good in it to stand. To keep hands off his employees' organization is not, in Reed's opinion, any material deprivation of an employer's property. What about the legality of the sit-down strike as a means of forcing collective bargaining with a particular union? Not a word. Interference with the rights of employers is reasonable and not coercive, if necessary, said Reed, to alleviate huge dislocations of commerce that are caused by strikes throughout the nation. And so on.

Oldest in Experience

The judges sat withdrawn in a shell of impatience that seemed even more marked than usual before the eyes of onlookers whose imagination had been fired by the President's bold move to mould the brains of these men to his will. What were the thoughts behind Justice Van Devanter's high pronouncement? Oldest in service on the bench, in 26 years he has listened to 7,800 hours of argument seeking to twist the Constitution this way and that. Only to face now the threat of enforced impotency as the alternative to quitting. There he sits, a living portrait of the past.

And yet another day, Earl F. Reed, J. & L. attorney, told the court that the company's ore, limestone, and coal are stored at the plant, bringing its movement in interstate commerce to a full stop. The law, he said, is wholly an attempt by Congress to intrude into industrial relations that, traditionally, are a state matter.

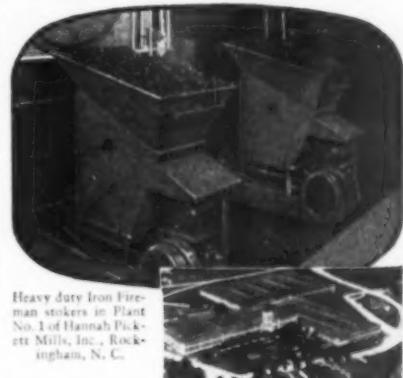
Congressman Ellenbogen, author of the "little NIRA" textile bill, dropped in to hear how the argument was going. The J. & L. lawyer continued, on these lines:

The government's argument is economic.... It might be a good thing, as the honorable Dr. Madden says, if the government could control labor relations. He may think the states are handling it stupidly, but that is not the law.... For a century this court has held to the simple literal meaning that the great Marshall found in the commerce clause, that Congress has the power—in the words of the Constitution—"to regulate commerce among the several states," but that local activities, such as mining and industry, are within the states' exclusive jurisdiction.

Placing the Blame

And so to the next case, against the Freuhauf Trailer Co., and a challenge by Thomas G. Long, its attorney: The auto industry heretofore has been an outstanding example of good employee relations. It had no labor troubles until this sort of legislation came along. He refused to regard the Chevrolet

IRON FIREMAN CUTS FUEL COST 43% AT BIG COTTON MILL



Heavy duty Iron Fireman stokers in Plant No. 1 of Hannah Pickett Mills, Inc., Rockingham, N. C.

LET IRON FIREMAN CUT YOUR COSTS



Learn from a cotton mill how you can cut your fuel bill—in commercial heating—in power boilers—in home heating systems—by automatically and scientifically firing coal with Iron Fireman Automatic Coal Burners.

Coal is America's permanent fuel supply. Stoker coal is by far the cheapest form of heat units in nearly every market. Iron Fireman has developed automatic coal firing to a degree of efficiency, cleanliness, convenience and reliability never before thought possible.

At Hannah Pickett Mills, Iron Fireman is cutting fuel costs 43%—an estimated annual saving of \$3148.19 a year. Cost per 1000 pounds of steam has been cut from 40.7c to 22.9c; boiler efficiency increased 63%. Two boilers now do the work that formerly required three, hand-fired.

Such Iron Fireman savings are so universal that it is almost certain that Iron Fireman firing will pay you too, no matter what type of fuel or firing method you are now using. An Iron Fireman boiler room survey is the first step. This is a free engineering service, available to anyone. A trained engineer gathers the facts on your own firing job, and submits a report showing what savings and betterments can be made, and what they will cost. You can decide with these facts before you. For instance, Mr. W. B. Cole, president of Hannah Pickett Mills, knew what Iron Fireman would do for him before he bought. You can know too, without cost or obligation. Simply write to the factory at 3168 W. 106th St., Cleveland. Iron Fireman automatic coal burners are made both in hopper and bin-feed models for installation in furnaces and boilers developing up to 500 h.p. Sold on convenient payment terms. Quickly installed. Iron Fireman Manufacturing Co., Portland, Oregon; Cleveland; Toronto. Dealers everywhere.



IRON FIREMAN
AUTOMATIC COAL BURNER



Business Week

strike in 1935 as an exception, pointing out that it had come after the National Industrial Relations Act. Lawyer Long left the court with a question: At just what point did Freuhauf, starting in 1895 in a blacksmith shop, lose the right to hire and fire his employees?

Justice Cardozo grinned.

So to the last case in which Leonard Weinberg, attorney for the Friedman-Harry Marks Clothing Co., Richmond, argued that according to the government's "stream" theory of interstate commerce, the Wagner Act would apply not only to manufacturers but to wholesalers and big retailers such as Sears, Roebuck; Montgomery Ward; Macy's, and Marshall Field, who frequently do not take the goods out of the original package and who ship a large volume of merchandise to customers in other states. This brought a quick statement by Charles E. Wyzanski, jr., of the attorney-general's staff, that the government did not intend to carry the law to this extent.

In closing for the government, Wyzanski said that the General Motors strike suggests that the problem of labor relations is of such a national character as to justify congressional intervention. He did not explain why, in this instance, the Wagner Act failed as "an exercise of the preventive power," the definition given to the law in the government's brief.

Road Tax for Roads

Congress may discipline states that take federal aid but don't spend gas taxes on highways.

WASHINGTON (Business Week Bureau)—Diversion of gasoline tax revenues to other than highway purposes is under attack on several fronts with the passage of the depression.

In Congress, both authors of the Hayden-Cartwright federal-aid law have issued statements indicating that future federal-aid funds may be sharply reduced or even denied to states per-

sisting in the practice. In the words of Representative Cartwright:

"Congress cannot be expected to continue indefinitely attempts to help complete the highway systems of those states which pursue the indefensible practice of misappropriating their own gasoline and other motorists' special taxes to purposes not related to highways. Congress has formally declared this practice unfair and unjust. It should now be made unprofitable."

Action is likely to take the form of new legislation, although the threat of enforcement of an ambiguous law already on the books seems to be having the desired effect in throwing a scare into the states. The federal-aid Highway Act of 1934 provided that any state which diverted gas taxes and license fees to other than highway purposes in greater amounts than in the past would be subject to a cut in the government's federal-aid grants up to a third of its statutory apportionment.

This law has not been invoked, partly because the money must actually be diverted and spent before the Bureau of Public Works can make out a case. A greater trouble arises from the broad terms of the penalty provision—questions as to what constitutes diversion have the bureau officials dizzy. For example, shall the term "in greater amount" be defined as a percentage of revenues or as a bigger sum in dollars?

The present law also rewards states which spend their entire revenues from the highways on the highways, by providing that they do not have to cover the deficit if they still fall short of matching federal allotments. Several states are asserting a claim to preference on the basis of good behavior, although the law was enacted primarily for the benefit of Arkansas.

Constitutional amendments intended to outlaw diversion have been proposed in Alabama, Massachusetts, and Pennsylvania, while statutes intended to accomplish the same purpose are pending in Indiana, New York, North Dakota, Utah, and several other states. A few states are trying to perpetuate so-called "temporary" or "emergency" gas taxes.

AND IT COMES OUT HERE—Bonwit Teller models appearing in the first televised fashion show furnished the subject matter for the first public demonstration of 441-line television, which Philco staged for the press last week in Philadelphia. Models (left) made their bow in the downtown store before the portable camera (center), from which the images, in the form of electrical impulses, were piped direct to Philco's transmitter and broadcast to receiving sets in the Germantown Cricket Club, ten miles away from the point of origin. Although definition of images as they appeared on the screen (right) was materially improved over the old 345-line television, the system as a whole had an off-day; images flickered inexplicably and the level of illumination was anything but steady.

Congress has been requested by 21 state legislatures to withdraw the present federal gasoline levy, leaving this field of taxation exclusively to the state governments.

Truck Compliance Drive

WASHINGTON (Business Week Bureau)—Calling its shots in its campaign to obtain compliance with the Motor Carrier Act, the Interstate Commerce Commission is hanging up a string of court decisions upholding all aspects of the law. Consider, for example, the scope of the consent decree entered in the federal district court in New York Feb. 11 restraining the Howard Trucking Co. from violating its published tariffs, extending credit in excess of 15 days, advertising rates other than those in its tariffs.

Action against the Howard concern was the first criminal proceeding in the New York area but the Commission is pushing a program of litigation designed to win universal respect for the law. The geographical distribution of its actions is wide and proceedings involve a broad range of legal questions and types of violation. The Commission is satisfied that there is no organized disposition to contest the legality of the Act. In 23 cases to date, only one was contested and in that the ICC was upheld by the court.

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Business Abroad

British plan first instalment of defense loan; run into stiffening interest rates. French franc faces new crisis. Soviets rush metal refining. Japanese prices skyrocket as world commodity prices climb.

SPITE of undercover moves in many capitals to ease European tensions, there are many disturbing developments this week. Launching of Britain's huge rearmament program indicates that London feels a showdown backed with force may still be in the cards. French franc troubles are likely to lead eventually to

government control of foreign exchange, implying a temporary embargo on capital exports. Japan has a new cabinet which has promised to cut taxes and military expenditures, but there is small confidence that it will prove to be other than a tool of the military.

British Boom

There seems to be no stopping Britain's metal market and commodity boom. Outstanding this week was copper which mounted spectacularly with speculative ardor at white heat.

Yet this very speculation is adding to the significance of steadily rising money rates. Stock trading and the rampant real estate boom have sopped up a lot of credit. Even though these now signs of tapering off, business continues to mount and that takes more money. Top it all off with a boom in commodities and it was small wonder that interest rates should harden.

But the extent of the hardening seems to have outrun all expectations. The 21% British consols, barometric indicator of the money market, have lost ground rapidly, dipping below 80 on Wednesday. That was the lowest since 1934 and compares with the 1935 peak of 94%. Adding to the market's unsettlement was the first block of rearmament bonds—£500,000,000 of the proposed £1,500,000,000.

Much talk now centers around the international interplay of interest rates. They've hardened in the United States, too, but not nearly as much as in England (perhaps because Britain's recovery is a couple of years the older). Now the question is, "Will London's higher money rate hasten the exodus of hot money" about which Washington is worrying?" Many feel that rates won't have to go much higher to act as a magnet for expatriate funds.

Germany

Steel mills are unable to meet international demand.

BERLIN (Cable)—Heavy industries are operating near capacity, with no signs of slackening. The January decline in number of workers was due to frosts which slowed up the building trades.

crime against the nation" and denied any possibility at present of an embargo measure against exports of capital. Nevertheless, semi-official instructions had already been issued to the banks that, while not refusing to sell foreign currencies to customers, they should discourage such transactions.

The financial public was interested especially in two points in the discussion. When asked whether a stabilization of the franc at its lower legal level would interfere with the tri-partite agreements and be liable to cause the other parties to abandon them, M. Auriol replied: "The tri-partite agreements were aimed to stabilize the quotation of the franc and prevent strong fluctuations on the exchange market. Yet we fully realize that extensive conversations would have to be carried on with the other contracting parties before any step of the kind could be undertaken."

Chances of Debt Reduction

And when asked concerning franc stabilization, whether or not the profits obtained by the Treasury would be used previous to anything else to reduce the government's debt with the Bank of France, he replied:

"The Currency Act of Oct. 1, 1936 specified that when the franc is stabilized, the proceeds derived from the liquidation of the Exchange Equalization Fund and from any further eventual devaluation should be used for the amortization of the public debt."

It is evident from these replies that the tri-partite agreements do not deal with any specific parity of the franc nor with its stabilization.

In view of the week's developments, these interpretations may be of interest.

France

New franc crisis raises questions of obligations to London and Washington.

PARIS (Wireless)—The major topic of discussion in Paris this week is the financial situation, with the feeling widespread that important monetary decisions are likely to be reached shortly.

The Treasury's situation is precarious. When Finance Minister Auriol discussed the situation on Feb. 3 before the Finance Commission of the Chamber, he explained that the Treasury would need at least another 30,000,000 francs from extraordinary resources for the remaining 11 months of the year. Gold forced out of hoarding by special means during the winter had provided only 1,000,000,000 francs. On the other hand, the amount of Treasury bills in circulation has boiled down to 4,500,000,000, in contrast to the normal demand of at least 8,000,000,000 francs when there is real confidence in the government's credit.

At the same hearing at which these details were revealed, the Finance Minister declared that he considered a further devaluation of the franc "a

Great Britain

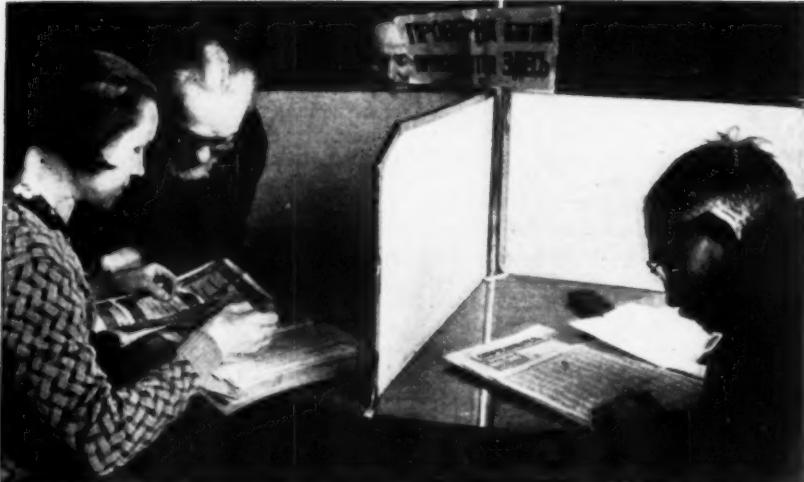
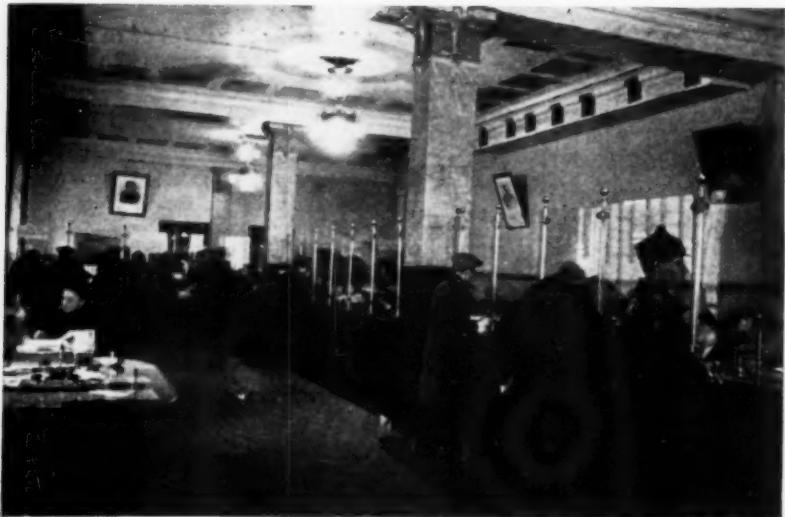
Gigantic defense plan unsettles gilt-edge markets, provides huge iron and steel orders. Taxes will increase.

LONDON (Cable)—Britain this week launched the details of a 5-year defense program which is likely to cost \$7,500,000,000, and for which the government has already announced that it will borrow up to \$2,000,000,000.

London looks for the first loan to be offered in May, probably for about \$500,000,000. A gigantic naval building program is to be launched at once to supplement the air rearmament which has been under way for most of a year.

Tax increases will provide a part of the fund necessary for the grand drive to make Britain as strong as any power in Europe. Income taxes are expected to be upped in the April budget, as well as some indirect taxes.

Settlement of the dispute with Ire-



Soviet Union

Russia booms production of consumer goods. New iron ore region is discovered near Moscow. Copper and lead smelters will be world's largest.

Moscow (Cable)—Russia this year will produce \$538,000,000 worth of bicycles, watches, gramaphones, and other such consumers' goods which are now beginning to flow from the plants of heavy industry. Such items as vacuum cleaners for clothes, refrigerators, electric curling irons, and bicycle motors will also make their first appearance on the market soon.

The increase in production of such goods, according to the Five-Year Plan, is supposed to surpass last year's production by \$120,000,000. Motorcycle and bicycle output will reach a value of \$34,000,000. Close to a million bicycles, 550,000 pocket watches, and more than half a million sewing machines will be produced.

Gramaphone production is to reach the 800,000 mark, compared with half

land over the payment of annuities, which has been hanging fire for some time, is likely to be settled as a part of the defense program. Rumors current in London indicate that the Irish are likely to agree to pay into the defense fund an amount which shall be equal to the old annuity, receiving in return a guarantee of a larger share of the British market for Irish food products.

50,000,000 COUPON CLIPPERS—A third of Russia's people, it is estimated, are holders of state securities. They are learning how to clip coupons, and how to open savings accounts, as the securities pay interest and state lotteries are held. Last year approximately \$360,000,000 was paid out in this way, an increase of about \$100,000,000 over 1935. Recent estimates place the number of American security holders at about 10,000,000. (Pictures at top and bottom are savings-bank views; the one at left shows Russian depositors being helped in checking the lists of all loan issues available in any Soviet bank.)

this number last year. The production of records, of which there has been a shortage for a long time, will also be raised, 50,000,000 being called for.

With the wreckers formerly occupying leading posts in heavy industry now eliminated, I. Gubkin, chief of the geological exploration department of the Academy of Science, announces a long-deferred verification of the existence of fabulous iron ore deposits at Kursk, within 150 miles of Moscow. Exploitation will be undertaken at once.

It is estimated now that potential resources in this region exceed 200,000,000,000 tons of ore. In the early days of the Soviets, Germans familiar with this region sought to acquire a concession to work it, it is now revealed. Soviet geologists, noting the erratic movement of a compass needle in this region, insisted for years upon embarking on its development, but they were discouraged by the recently executed Piatakov, who was Vice Commissar of Heavy Industry. About \$6,000,000 will be spent on developing mining operations here, with the expectation that the ore will be smelted in neighboring

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Indust

steel plants which now draw their raw material from Krivoyrog in the Crimea, more than a thousand miles away.

A. P. Serebrovsky, recently made Assistant Commissar of Heavy Industry, announced this week that construction of the largest copper plant in the world in Balkhash, Soviet Central Asia, is about finished, with the first of its sections ready to begin production at the end of next month. The capacity of the plant is supposed to reach 50,000 tons of ore daily, exceeding production at the present largest plant in the world (the American "Magna") by 18,000 tons. Ore will be furnished from adjacent mines.

The significance of this metal for military purposes explains the rapidity of its development, Serebrovsky points out.

In addition to this plant, another one producing aluminum is now nearing completion at Kamensk in the Urals. This plant will be the largest in Europe and perhaps the largest in the world, Serebrovsky adds. Output is to commence in August of this year. This plant will be superior in its equipment to already functioning plants in Volkov, near Leningrad, and Zaporozhie, near the huge Dnieper dam.

Far East

Prices skyrocket in Japan. Manchukuo's 5-year plan threatens labor shortage. China develops improved oranges.

JAPAN's new government, whatever it may do with military expenditures and taxes in the new budget, is faced with a serious problem in the rising cost of living. Retail prices rose 4½% between the middle of December and the middle of January, with food and clothing showing the largest gains. On Feb. 1, 30,000 restaurant shops dispensing prepared food agreed to increase prices from 20% to 40%, and cited as reason for the move price jumps between November and January of 18% on beef, 180% for cabbage, 28% for bread and 26% for eggs.

The *Oriental Economist* wholesale price index was up 7.9% in December over November, and 16.6% for the year. This accounts for the spreading agitation among workers for higher wages, and for the increasing difficulty of Japanese exporters to maintain export sales of some of their major products. Japan buys a great many raw materials from backward markets where the demand for inexpensive Nipponese goods during the depression increased spectacularly. As these natives receive higher prices for their commodities, they are resuming purchases of better quality goods.

Industrial output in Japan continues



"WE CAN'T AFFORD TO LOSE 30% OF THE LIGHT WE PAY FOR"

Bulbs that waste even 5% of the electricity they use are poor bargains at any price. And some unknown bulbs waste as much as 30%! That's why more industrial plants, offices and stores are insisting on G-E MAZDA lamps. They STAY BRIGHTER LONGER... and, thanks to General Electric research, they are now brighter than ever.

Even in the last 12 months, G-E MAZDA lamps have shown a marked increase in their light output. Day by day and month by month, General Electric improves lamp quality, so that the G-E trade-mark on a light bulb always means more light for your money. General Electric Company, Nela Park, Cleveland, Ohio.



It pays to look for this trade-mark when you buy lamps. G-E MAZDA lamps STAY BRIGHTER LONGER!

GENERAL ELECTRIC
MAZDA LAMPS

to expand, but the index of business activity is off following the political crisis, and is considerably below the high established in 1934. Stock market prices are also off slightly, and are considerably below the 1934 high.

Japan's spectacular boom of the early depression years is obviously flattening out as other countries regain their competitive ability. In addition, there is still the threat of increased government control over business, and higher taxes to support the defense program. The new cabinet has promised to reduce military expenditures in the next budget, but greater cuts have been made in the relief appropriations. In the face of rising living costs, this threatens to cause internal difficulty.

Problems in Manchukuo

Manchukuo is supplying Japan with an increasing quantity of raw materials, but the industrial development of the new region is worrying a number of Japanese industries which, instead of finding a profitable new market on the mainland, are running into competition from newly developed industries.

With the announcement recently of a 5-year plan of industrialization to begin this year, Manchukuo is running into many of the problems that the Soviets had to overcome when they started their first Five-Year Plan. In spite of the masses of Chinese who migrated to Manchuria before the 1931 troubles, some of whom have returned with the establishment of an orderly government, a labor shortage is expected to develop during 1937 for both skilled and unskilled workers.

Coal production is to increase 3,000,000 tons during 1937, and at the end of five years the output is to be up 15,000,000 tons. For each additional 3,000,000 tons, 600 mechanics are needed. This means an increase of 3,000 in personnel.

Large-scale sheep raising, the breeding of cattle and horses, increased production of rice, wheat, and cotton will require at least 1,700 new specialists according to a report by the Tokyo *Asahi*.

Communications Improved

The persistent efforts of the Chinese government to knit the country together and in this unity to oppose further foreign aggression were evident again this week in the report that regular telephone service has been inaugurated between Shanghai and Changsha, and that the government is sponsoring an officially conducted motor tour from Nanking to Yunnan province, a distance of 1,500 miles. This is the second important move to improve communications between the capital and Southern China. The railroad to Canton is now operating regularly, and provides a direct connection

between the middle Yangtze region and another port than Shanghai, in case that port should be closed by foreign powers.

Americans were interested in the report from Shanghai that scientifically grown oranges from Szechuan province had made their appearance in that metropolitan market during the time that shipments from the United States were greatly curtailed because of the ship-

Credit Rating

All these countries still have restrictions on foreign exchange transactions but some of them meet payments on export drafts more readily than others. Here's a quick reference check list using only a few classifications:

Prompt	Fairly Prompt
Argentina	Chile
Austria (fair)	Colombia
Brazil	Iran
Costa Rica	Latvia
Czechoslovakia (fair)	Turkey
Danzig	Slow
Denmark	Italy
Estonia (fair)	Portuguese
Greece	Africa
Honduras	Very Slow
Iceland	Bolivia
Japan	Bulgaria
Lithuania	Canary Islands
Manchukuo	Germany
Norway	Hungary
Poland (fair)	Spanish
Portugal	Morocco
Soviet Union	Nicaragua
Uruguay	Paraguay
Yugoslavia	Rumania
	Spain

* Compiled by Guaranty Trust Company of New York.

ping strike. The oranges were grown from selected seeds developed at the experiment station of the National Szechuan University of Agriculture at Chengtu; are comparable to American oranges at prices less than one-half the cost of American fruit but slightly above the prices for South China oranges.

Canada

Dominion will aid provinces in financial difficulties. Ontario-Quebec power contract differences are being ironed out gradually.

OTTAWA—Whatever is done in Canada about reviving the new deal will be done within the framework of the constitution as interpreted by the courts. For years a proposal has been advanced from time to time and rejected that Canada should secure a constitutional amendment to authorize abandonment of recognition of the judicial committee of the Imperial Privy Council in London as the court of last resource for

this country, and acceptance of the Supreme Court of Canada as supreme in fact. Such reforms as are desired will be looked for from the provinces or through cooperation between the provinces and the federal authorities.

Even sponsors of Canada's new deal enactments are astonished, and in some degrees startled, by the issue President Roosevelt has raised in the United States. In this country, the courts are kept free from politics. Recently public opinion reacted strongly when Ontario courts were subjected to criticism from a political source in connection with the power contracts case.

Interest in Court Issue

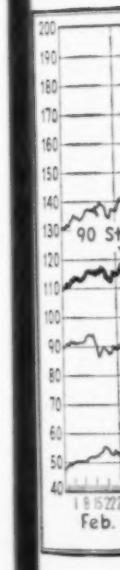
Canadian observers, therefore, are somewhat shocked, in a neighborly way, at President Roosevelt's proposal to give a political complexion to the United States Supreme Court. Interest in the matter is not altogether detached. It is felt that any such weakening of safeguards in the United States would serve as an encouraging example to impatient Canadian reformers. Canadian observers are hoping that a compromise will be reached.

Effort to strengthen the financial position of the Prairie Provinces will be accelerated as a result of a survey of the financial position of Manitoba, made by the Bank of Canada. The Bank reports that provincial revenues are not adequate or sufficiently elastic to enable the province to bear burdens imposed by modern practices of government and the legacy of the depression. The situation in Manitoba is duplicated in other provinces. A royal commission is to be appointed at once to study the situation, and in the meantime federal funds will be provided temporarily to tide over current crises.

Hydro's New Contract

The situation regarding the dispute between the Ontario government and Quebec power companies over contracts repudiated by the provincial government improved last week with the signing of a new contract by which Ontario Hydro will take the entire 96,000 hp. output of Ottawa Valley Power Co. This company was one of those whose contracts were cancelled. It had won decisions in the Ontario courts and an appeal was being prepared by the Hydro Commission to the Imperial Privy Council. Under the new contract the Hydro Commission will secure the power at \$12.50 a hp. instead of the \$15 rate under the old contract.

Government and commission have been justifying contract repudiation on the ground the Quebec power was not required. It is believed a re-survey has satisfied them Ontario was closer to the power shortage than was believed. New contracts with other Quebec companies are anticipated.



Money and the Markets

Stocks are hesitant because of new ban on "free rides," and because of Washington excitement over "hot money." Copper reaches spectacular heights, but apparently the bulls are heading for trouble.

IMPHASIS this week shifted off flood and labor strife. But this didn't mean that the securities markets got a breathing spell. There were new matters to keep traders worried—the ban on "free rides" on the nation's stock exchanges, and a fever of activity in Washington over "hot money." The net result was very hesitant stock markets.

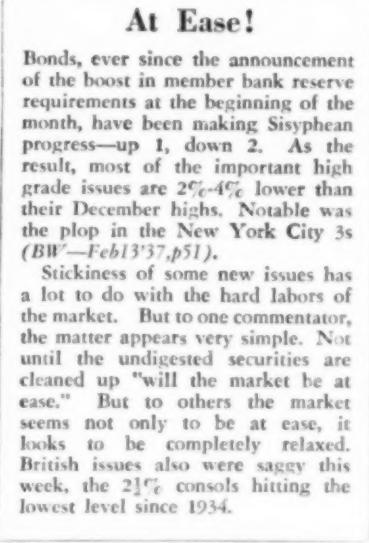
Actually, there was little to worry about in the ban on joyriders. The new rule, put into force by the exchanges, is simply that players must ante before getting their cards.

sharpshooters' Game

The situation legislated against was this: Until now, there has been a one-day lag between the time a stock purchaser buys a stock and the date when he has to put up his margin; the sharpshooters were taking advantage of this lag to get in and get out again without being fully margined.

The Federal Reserve, arbiter of margins under present laws, had drafted a rule which virtually said "cash on the line." The New York Stock Exchange felt this was too inflexible, that it worked against brokers' large customers of established credit who are entitled to some consideration. Suppose they have open orders with their brokers to buy at certain levels and are out of town when the order is executed. That's a potent cushion for stocks, and the exchange didn't want it abolished.

So the New York exchange asked that the markets be allowed to apply their own rules—regulations that could be more flexible but would still get the desired result. For a while it



looked as if the Federal Reserve would turn this request down, but in the end the matter was settled in favor of the exchanges. Before the Reserve authorities fairly got the decision out of their mouths, the "Big Board" posted a big sign which said, "No riders."

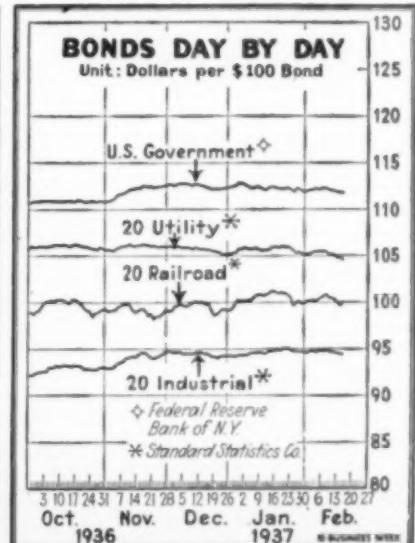
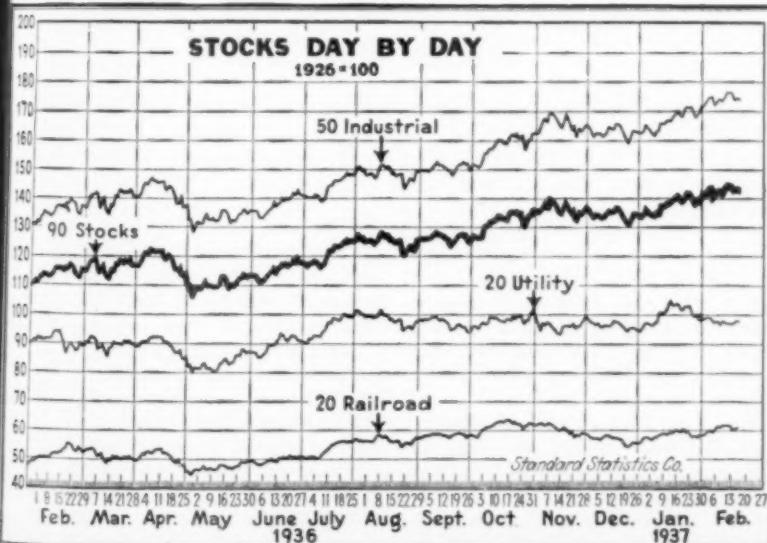
What it boils down to is this. Every

broker must keep records for a year back on each customer's purchases. The record must also show how quickly the buyer gets his margin up, and the requirement is practically overnight excepting in special cases. Thus this record will show clearly if anyone is taking advantage of the system. And no customer is allowed to buy and sell the same day, or to buy one security and shortly thereafter sell another to bolster his margin (for the latter course could be virtually to go in and out).

Just how seriously the old three-day free ride was abused is open to debate. The Big Board doubts if it was more than a few thousand shares a day; a few estimates up to 250,000 are heard. But it doesn't matter much. Those transactions violated the spirit and letter of the Federal Reserve's margin rules. And now they have been banned by the leading markets. It is freely predicted that trading will not be restricted thereby, that markets will not be damaged as to liquidity, and that consciences will be clear. That's all anybody wanted. And the exchanges feel that the Reserve has again demonstrated a friendly and fair attitude.

Eligible Paper—Certain members of the House Banking Committee are in a stew. Why should the Federal Reserve Board want an extension of the privilege of using government securities as partial backing for Federal Reserve currency? It would seem as if the country's peculiar banking predicament were completely unknown to the legislators. Apparently what happened in 1932 and 1933 was simply a disaster, not an education.

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of short-term maturity based on strictly commercial transactions. But these loans have dropped drastically in recent years — so much so, that if government securities were not continued as backing for the Federal Reserve currency, the Reserve Banks would have to use most of their stock of gold certificates.

In June, 1926, eligible paper held by member banks amounted to \$4,925,000,000. It dropped slowly during 1927, 1928, and 1929, and then loans fell off very sharply. The low was \$1,977,459,000 in the middle of 1933. But the rise since then has been only nominal. On June 30, 1936, eligible paper of member banks amounted to only \$2,051,528,000. And that explains why Reserve Chairman Eccles wants the continued right to use government securities as supplemental backing for the currency.

Were the Reserve to "freeze" its gold (certificates) as collateral for currency, credit would inevitably contract — because the gold would not be free to support member bank reserves, which in turn support bank credit extended to industry.

Dual Role—The Securities and Exchange Commission is elated that some of the big public utility systems have registered under the holding company law. That's because the SEC is enforce-

ment agent and these registrations indicate more or less of a break in the "united front" of big companies fighting the statute.

But the commission may be overlooking the fact that it plays a dual role in enforcement, and its job won't necessarily be any bed of roses. In the first place, SEC regulates holding company practices and is lord high executioner under the "death sentence" which goes into effect Jan. 1, 1938. On the other hand, the commission has to pass on utility securities before they can be sold to the public, and this imposes the duty of not letting any get by if SEC may later have to rule that the issuer should be dismembered.

The Public Utility Act of 1935 vests the SEC with broad discretion as to what holding companies will have to be taken apart. If the commission is satisfied that a big system is thoroughly integrated geographically, it can be let live in peace. On the other hand, the SEC could chop up even a small company if, in its discretion, the victim didn't measure up to the Congressional definitions of integration. (Those definitions were put in the law as a compromise to get Congress to pass it, but their application is largely left to the SEC.)

It comes down to this. The commission will have to rule on refunding programs of large holding companies. Later on it will have to decide whether those companies should be dismantled. Therefore it behoves the commission to consider now what it may decide later. Thus the Roosevelt dictum of "let the seller beware" seems to broaden out into "let the commission beware."

Silver Fiasco—Although it is difficult to think, offhand, of many commodity or metal prices which haven't gone up sharply in recent months, there is one — silver. And this despite the fact that Washington set out very definitely four years ago to "do something" for the white metal.

Light was thrown on the subject this week by Sec. Morgenthau, testifying before the House Appropriations Committee. Asked how the federal buying price happened to settle at 77¢ an oz., the Treasury chief asserted that world speculation once ran the price to that level and there it has been maintained. Whereupon Rep. Buchanan called the price an "accident" and the secretary agreed that it was at least a "coincidence."

And there we have the "accidental" quotation and a program under which the Treasury has taken in \$1,139,194-172 of silver at prices ranging up to 77¢ an oz., only to see the world price now around 44-45¢ an oz. again 43-44¢ at the time the purchasing was begun. It may have been a ten-strike

FEBRUARY 21, 1937

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HECKLES HECKLERS—When Clarence Dillon (right), head of Dillon, Read & Co., was being questioned by investment trust prober L. M. C. Smith, the banker changed the subject by attacking the undistributed profits tax law. Earlier he had been explaining why directors of United States and Foreign Securities Corp. had paid directors \$5,000 a year, even if, like Walter P. Chrysler, they only attended one meeting.

for the miners, but it was no bonanza for the marketplaces.

Governmental storage, in the eyes of speculators and processors, doesn't eliminate a surplus in any commodity. Politically dominated purchasing of silver to form a bimetallic currency base doesn't convince the world markets that all problems have been solved. Hence the apathy toward silver.

Cupric Capers—When the domestic copper price was advanced a full cent a pound this week it was the largest single mark-up since the boom days of the 1920's, and the price, at 14¢, was the highest since May, 1930. The rise reflected the runaway market abroad.

The latest spurt in London is attributed to speculative ardor inspired by the latest statistics on consumption and available supplies. These not only were favorable, but were better than expected. However, a few sober heads on this side are wagging sadly. These observers feel that the speculators are acting on the statistics right enough, but that they are acting without full insight into what the statistics mean.

For example, there was a drop in January of 18,700 tons in domestic stocks of the red metal. That's very satisfactory to the bulls. But what they overlook is the fact that severe weather in producing areas held mine production down to 60,400 tons in December and 62,250 in January, whereas producing companies had intended to step the figure up to about 70,000 and are going to do it just as soon as possible.

Then there is domestic consumption at the highly satisfactory rate of 80,810 tons last month. But that figure means

simply deliveries. Some of this "consumption" is just metal piling up in inventory. Any softening in the market would be the signal for selling by second hands.

Still another statistic, these interests feel, needs interpretation. That is the figure on foreign production. That was up from 88,550 tons in December to 98,720 in January. The rise is the direct result of suspended quotas, and it may be extended as mines step up to capacity.

Finally, while domestic consumption topped production of all kinds of copper substantially, world blister output and use of refined metal were in almost exact balance. Foreign production of all copper topped consumption, by nearly 7,000 tons. If output abroad continues to exceed use, it will reduce American exports from accumulated stocks, but more specifically it will be felt in London where the speculation centers.

From this line of reasoning, the cautious members of the trade deduce that consumption of copper is going to have to continue at a spectacular rate or the foreign bulls are in for a lesson. Right now, however, the London speculators are wallowing in profits, and they don't scare easily. The worst pessimists admit that rearmament and swelling business are doing remarkable things to consumption.

No Room for Doubt — The United States Freight Co. adopted an interim dividend policy last week by the simple expedient of omitting the payment due the first of next month. In that way, directors of the company

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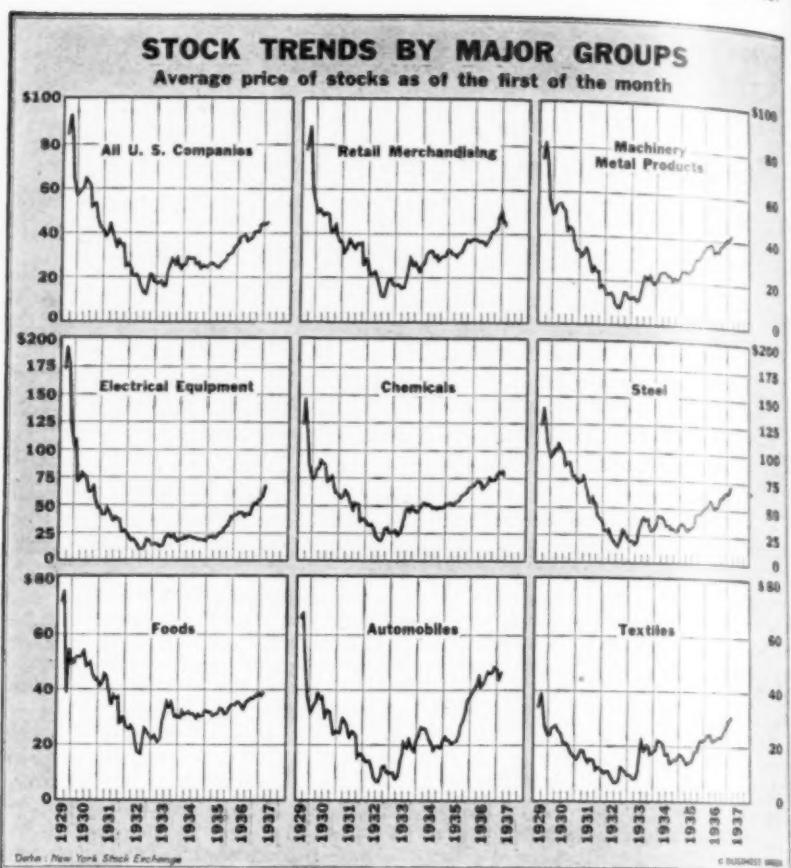
Member of the Federal Deposit Insurance Corporation

combined finesse, finality, and emphasis, unlike du Pont which voted a distribution at the regular quarterly interval, but dubbed it an "interim" (BW—Jan 30 '37, p49).

Reason for the freight company's change in policy is the undistributed earnings tax. U. S. Freight's dividends will be declared upon actual earnings shown in the period immediately preceding any such dividend declaration. Unless the earnings picture has changed drastically, there was no deterrent to a distribution next month. In the first three quarters of 1936, net income was equal to \$1.82 a share. Dividends paid during 1936 amounted to \$1.75—25¢ per quarter, plus a 75¢ extra just before the year's end.

Interim Dividend—As regular as London's famed Big Ben, directors of E. I. duPont de Nemours & Co. came through right on the dot with an "interim" dividend. This, the first declaration under the new policy (BW—Jan 30 '37, p49), is 75¢ a share. It is payable, as usual, on Mar. 15, and compares with 90¢ paid Mar. 14 last year, 90¢ regular and 70¢ extra on both June 15 and Sept. 15, and \$2 at the year end.

But too much weight should not be placed on the comparison of the present dividend with those for last year. Nor



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will the declarations for the second and third quarters of 1937 mean much. You have to wait for the year-end or final payment "to make up the difference," as the board puts it, "between the amount which the directors will decide is available for distribution for the year and the sum of the three quarterly interim dividends."

Food for Thought—Life insurance companies are limited by law to investments of the highest type. In these days of microscopic interest rates, all their calculations on income are invalidated and the only recourse has been to charge more for insurance (BW—Jan 30 '37, p34).

Now comes Louis H. Pink, New York superintendent of insurance, with the suggestion that the legislature should study the possibility of more lenient laws on investments. Specifically, he suggests the admissibility of certain high grade debentures and preferred stocks on which better returns are available. Any change compatible with safety would please the life insurance business.

And any change in "legal" lists would interest the market. Buying by the big insurance companies in slightly lower grade securities would lift prices in this category; switching out of some of the gilt-edged bonds might result in some bargains in that classification.

Editor

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Editorially Speaking—

PRESIDENT ROOSEVELT gets a hand from the Merchant Tailors' Designers' Association for the slick cutaway he wore at his inauguration. But his ingenious plan for whittling down the powers of the Supreme Court is an even slicker cutaway.

In five years Lawson Brickley, of Kendallville, Ind., has given free meals at his lunch car to more than 8,000 hungry men and women who've been able to say the Lord's Prayer to his satisfaction. No Lord's Prayer, no meal. "They've said it in many foreign languages," says Mr. Brickley, and surely he must understand all the languages—or is it possible that he's been occasionally kidded with a speech from Molière or a Bulgarian translation of "The Wreck of the Hesperus"?

THE Order of Americans of Armorial Ancestry held its annual lunch the other day. It says only 169 people can meet its membership qualification—that of descent from a colonial American who was descended from a noble European. As a matter of fact, some 70,000,000 Americans can meet that test. But the O. A. A. A. says 169, so 169 it is.

Among the speakers were the governor-general of the Hereditary Order of Descendants of Colonial Governors Prior to 1750, and the president of the New York Society of Descendants of Signers of the Declaration of Independence. Why wasn't there a spokesman of the Omaha, Pittsburgh, and Little Rock Societies of the Hereditary Order of Descendants of Colonial Convicts Prior to 1738?

SOMETHING pretty drastic will have to be done about the United States Geographic Board. It is changing good place-names into bad ones. It thinks Pork and Beans is a bad name, whereas it's really the perfect name for a certain kind of town. At the insistence of the board, a place named Widow's Tears Falls has been rechristened Bridalveil Falls—a name that confuses the eye. Mud Lake, which is a fine, honest name if the lake is really muddy, has been renamed Jewell Lake, a false name under the same circumstances. Dishwater Pond is more than a good name, it is poetry; but the board, sniffing delicately, changes it to the insipidity of Mirror Lake.

So now is the time for all good men to come to the aid of Barefoot, Ky., and Biscuit, Ky., and Social Circle, Ark., and all the other places whose sturdy, vivid names are threatened by the shallow taste of this reforming, malforming board. Write or wire your protest immediately to Jim Farley, Jack Garner,

Sistie, Buzie, the League of Nations, and W. C. Fields.

OWING to the crowded condition of the New Products column, the Gentleman on the New Products Desk has omitted mention of a highly important new product. At the ripe old age of something like 44, he has become a grandfather. Boy. Weight, 9 lb., 18 oz.

LIKE some millions of others, we're the kind of a man who firmly believes nobody ought to get to a theater late, but who sometimes gets there late, and then sort of sneaks in and tramples on people's toes and is all hot and bothered. So with the greatest of enthusiasm we applaud the London theater that announces it won't seat late-comers except between the acts. It gives fair warning by ringing a bell two minutes before the curtain goes up.

To be absolutely fair, and obviate all excuses for tardiness, a theater should do these things: ring a warning bell a minute or two before each act; advertise its curtain time; and stick to that time.

It's sad to look upon a life so misspent as that of Prof. Albert Johannsen of the geology department of the University of Chicago. Sixty-five years old, he will soon retire from his university work, and will then begin something new. He has collected 4,500 dime novels, and he intends to compile a bibliography of them. "When I was a kid," he says, "all the fellows were reading these things." But he himself hasn't read many of them. All the fellows were reading Frank Merriwell, Dick Merriwell, Nick Carter, Fred Fearnott, Fred Manley, Diamond Dick, Buffalo Bill, Bowery Billy. All the fellows but Albert Johannsen. Albert was busy with other things.

He was sorry afterwards—as sorry, probably, as Dick was in "Dick Merriwell's Regret," the best dime or nickel novel we ever read. Albert was sorry, and Albert started collecting the things he hadn't read as a kid. He'll have time to read them now. Frank at Far-dale, Frank at Yale, Frank as a locomotive engineer, Frank in the Wild West, Bowery Billy and his detective friend who always wore a carnation, Young King Brady, Old King Brady, Nick Carter, Chick Carter—here they are, professor, all yours at last.

"WE have on the Pacific Coast," says Edgar S. Perry, representative of the Employers and Manufacturers' Association of Los Angeles, "more crackpots per 1,000 than in any section of the country." Will the other sections allow this boast to pass unchallenged?

YOUR BRIDE—WHAT HAPPINESS SHE BROUGHT YOU—



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● Your first adventurous year of married life—how happy it was—and yet, how expensive you found it! How many unforeseen, unplanned expenditures arose! Even if you got through without costly emergencies, like illness, didn't you have to borrow to pay the bills?

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FEBRUARY 20, 1937

It Must Not Pass

Was there ever a sound more unmistakable than the voice of national indignation, arising spontaneously in every corner of the land when the people discern a sudden danger to the stability of their country and to its prosperity and freedom? That sound is rarely heard, because the occasion for it is rare. But you can hear it now. The country rings with it. From Maine to the Mexican border, from the Florida keys to Puget Sound, men and women are crying out their condemnation of the bold and cynical scheme to pack the Supreme Court.

They have not been pacified by the Administration's smooth excuses. For the issue is too plain to be confused. It is so plain that not only the persistent opponents of the New Deal but even many friends of the New Deal have lined up against President Roosevelt in this matter, perceiving as they do that his entire legislative program is dwarfed in importance by the overshadowing issue of the independence of the judicial branch of the government. Shall the Supreme Court remain independent, or shall it become subordinate to Mr. Roosevelt or any other President? That is the issue, and nothing else.

But despite the instantaneous and nation-wide outcry against the proposed act of usurpation, Mr. Roosevelt still hopes to cram it through Congress. He thinks its opponents may weary of their protests, while its friends may gain in number, especially if the Supreme Court should soon strike down any important item of New Deal legislation, such as the Wagner Act. In his view, the court itself, by its decisions, will augment the arsenal for its own destruction. There may be shrewdness in this forecast, but it is by no means infallible. It will be proved wrong if the friends of the Constitution and the Supreme Court keep up the fight during the weeks ahead, making their views known with unabating earnestness to Congress, particularly to the Senate, where the division of votes on this issue will manifestly be closer than in the more regimented House.

For success in his plan, the President is counting on pressure by the large groups of workers and farmers that have cooperated with him in procuring Congressional acceptance of the New Deal. The labor lobby

is already active in behalf of the court plan. As for the farmers, Sec. Wallace has made a bid for their support by proposing a comprehensive agricultural program of which the boldest feature is production control, although the Supreme Court last year declared production control unconstitutional. If the farmers concur in this program, as a conference of farm leaders did in Washington a few days ago, they will then be told that Congress cannot put it into effect unless the Supreme Court changes its attitude; in other words, unless the court is packed. Thus the farm plan and the court plan will be tied together, and the farmers will be urged to demand that their senators approve both. With combined labor and farmer support, the scheme against the Supreme Court may succeed.

That is the strategy. But there are millions of farmers who reckon the Constitution and the independence of the Supreme Court as of higher value than any temporary legislative nostrum. To these farmers, as to many millions of city folk, a strong and spirited argument should be made to save the Supreme Court by defeating the packing plan. That argument should be made with every resource of tongue and pen, day in and day out, until the vote in Washington is taken and this momentous issue decided.

Taxes of States And 175,000 Local Bodies

There are 175,000 local taxing bodies in the United States. That fact becomes increasingly important to business now because the expenditures of the federal government are heading downward while those of the states and the local units are heading up.

The tax experts of the Twentieth Century Fund have submitted an esti-

mate for the years from 1937 to 1940, inclusive. They think the annual federal expenditures will drop between two and three billion dollars in that time, but that the states will spend a billion and a half more in 1940, and the local governments will add another billion. What shall it profit business to reduce the federal tax bill if the state and local tax bills go up and take all the saving?

Some economies can be made by state reorganizations and by consolidation of duplicating tax units in the communities. There is too much overlapping of city and county governments and park boards and drainage commissions and all the rest. But governmental efficiency is not the main road to economy. Above all, there must be resistance to the demands of pressure groups for more spending.

Counting the Cost Before and After

In the recent past there have been two great and costly strikes. General Motors, by speeding up its production, may come pretty near to fulfilling its original plans for this year. But many of the hundreds of companies that were affected directly or indirectly by the 98-day shipping strike on the Coast will not be able to make up their losses. Harry Bridges and John L. Lewis, with varying degrees of truth, are claiming victory. But in a strike both sides suffer immediate losses, and the important question is whether these are balanced by enduring gains.

Often it is hard to answer this question after a strike is over. It is even harder to estimate the losses and gains of a strike before it begins. A corporation confronted with this problem is dealing with imponderables. But all business, especially in such aspects as sales and advertising, is largely a matter of imponderables, and these can successfully be dealt with by men who have a natural aptitude for the task, and have reinforced it with special training. Men of equal fitness, and of corresponding rank and compensation, must take up the task of dealing with labor and with the public. The prevention of costly strikes requires the full-time efforts of the best diplomatic brains in business.

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